



**A Manual for Authorized Agents of the  
South Dakota Retirement System**

**Sixth Edition  
July 2005**

*The South Dakota Retirement System fully subscribes to the provisions of the Americans with Disabilities Act of 1990.*

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The South Dakota Retirement System (SDRS) provides a foundation for the financial future of over 66,000 members and their families. Its mission is to give SDRS members and their families “. . . the opportunity to achieve financial security at retirement, death or disability by providing an outstanding, appropriate and equitable level of benefits.” The system’s overall goal is to provide lifetime income replacement including Primary Social Security to meet the retirement income needs of 70 to 85 percent of final pay for members with 30 years of Class A credited service, members with 25 years of Class B Public Safety credited service and members with 20 years of Class B Judicial credited service. The success of SDRS can mean the difference between retirees who are financially self-sufficient and those who must struggle to support themselves.

The heart of the system — the means of providing quality benefits — is the SDRS Trust Fund. This pool of money is created by the contributions of both members and employers. These members include:

- Teachers, administrative and classified employees of South Dakota public school districts
- Legislative, executive and judicial branch employees of the State of South Dakota
- Faculty, administrative and classified employees of the South Dakota Board of Regents
- South Dakota municipal employees
- South Dakota county employees

In all, over 460 distinct units of government and their employees contribute to the SDRS Trust Fund. This diversity of employees and employers makes the legal mandate that the trust fund be used for “the exclusive benefit of members and their beneficiaries” a fundamental tenet of the system.



# The Role of the Authorized Agent

Each unit of government participating in SDRS designates one of its own employees as the authorized agent for its dealings with the system. As the agent for your unit, you are the connection that links SDRS' administration, the membership and your employer.

## Passing On Information

Through your distribution of the system's booklets, brochures and applicable forms, members receive general information about SDRS and its provisions. The day-to-day information flow, however, will depend upon your knowledge of SDRS and your willingness to share that knowledge with the membership.

All explanations you give should be factual and should not contain specific recommendations regarding members' decisions on SDRS or other financial matters. You should encourage members to contact SDRS for clarification of issues and detailed explanations.

## Collecting Information

While SDRS needs to pass on information to its members, it must also collect it. Items such as age, salary, Social Security number, marital status, membership classification and beneficiaries are the building blocks of a retirement system. Without these fundamentals, benefits cannot be earned, calculated or paid.

For the most part, this data is gathered from the forms that you complete or assist members in completing — the enrollment form, termination form, application for retirement benefits form, etc. Your accuracy, timeliness and persistence in their completion determine the quality of SDRS' data base.

## Employers

SDRS provides benefits that are a great advantage to your employer in recruiting and retaining good employees. SDRS depends upon you, as your employer's representative, to make those benefits possible by making certain that items such as contribution payments, reports and other critical paperwork are completed in an accurate and timely manner. Moreover, SDRS relies on you to keep your employer up-to-date and to inform the system of your employer's informational needs.

# The Role of the Authorized Agent

## Feedback

Finally, SDRS' administration must hear the concerns, frustrations and hopes of its membership. Because you are in close contact with SDRS members, you can report whether they agree with administration positions, what kinds of benefit improvements they want, and what plan provisions need to be changed.

Note: The SDRS Board of Trustees has established a Member Issues Procedure through which members can make their concerns known. The board reviews these requests, and when it agrees that an issue needs further consideration, the issue will be placed in the Member Issues File. A copy of the Member Issues Procedure is included in the Appendix.

## Preparing for the Job

To do your job well, you need to invest time in learning about SDRS. What is the difference between Class A and Class B credited service, for example? What is the role of the Board of Trustees? How does optional spouse coverage work?

This manual will be your basic tool in this learning process. Other SDRS publications, such as the newsletters *UpDate* and *Outlook*, the general brochure and the annual report, will also provide you with valuable information. Of specific interest to you is *UpDate*, the system's quarterly newsletter written expressly for authorized agents.

In addition to written materials, SDRS has Retirement Planners to help you deal with issues and problems as they arise. SDRS Retirement Planners make group presentations and meet with members one-on-one at sites located throughout the state. Both members and their employers within a county will be notified in advance of the county and/or Regional Retirement Planning seminars. Individual county meetings will be scheduled for Tuesdays whenever possible. Individual member counseling appointments should be set up in advance by contacting SDRS. The Planners will also meet with you, if you request it and they are in the area. Retirement Planners are also available by phone to answer your technical questions.

## The Role of the Authorized Agent

If at any time you are unsure about your response to a member's question or feel that you do not fully understand an issue, do not hesitate to call SDRS.



# The Role of the Authorized Agent

## The Qualifications of an Authorized Agent

While an authorized agent need not be an officer of the employing unit of government, a full-time employee who is a current, contributing SDRS member is the best choice. Such employees bring to the job their own interest and involvement in the system and its benefits. In addition, the authorized agent should have the following qualifications:

- A close working knowledge of all personnel employed by the unit of government, including new and recently terminated employees
- Access to personnel records, payrolls and other employee compensation records
- An adequate channel of communication with the local governing body or chief executive officer of the unit
- Sufficient time to perform the local administrative SDRS functions

## Contacting SDRS

When you need to contact SDRS concerning an issue, it is preferable that you put your questions and concerns in writing. That way, the issue can be analyzed by the appropriate staff member and a prompt response prepared.

There will be times, however, when a question can be quickly answered with a phone call. If you have questions of a general nature, briefly explain them to the SDRS receptionist who will route you to the proper staff member.

When you place a call to SDRS about a specific member, be prepared to provide the member's name and Social Security number or SDRS identification number. (Remind your members that they too should have their Social Security or SDRS identification numbers ready when they call SDRS.) SDRS allocates the work flow among the Retirement Planners based on member Social Security numbers. In addition, the Social Security or SDRS identification number is needed so the member's record can be immediately given to the Retirement Planner while he or she is visiting with you on the phone. Although it may seem like the SDRS receptionist is asking you to provide a great deal of information, your cooperation will result in a more effective handling of questions. When you leave a message on the SDRS voicemail system, it will be forwarded to the appropriate staff member, who will try to return your call the same day. You may also e-mail SDRS via the Web site or directly at [SDRSWeblink@state.sd.us](mailto:SDRSWeblink@state.sd.us).



# Eligibility and Participation

## Participating Employers

SDRS is a public employee retirement plan. Law requires all South Dakota public school districts; the legislative, executive and judicial branches of state government; and the Board of Regents to participate in SDRS and to provide coverage for their employees. Many counties, municipalities and other public entities have entered SDRS, and most school districts have elected to cover their classified employees.

## Understanding the Class A and Class B Distinctions

All SDRS members belong to one of three credited service categories: Class A, Class B Public Safety or Class B Judicial.

Normal retirement for Class A credited service is age 65. Class A contributions are 6 percent of salary from the member, matched by 6 percent from the employer, toward a Class A retirement benefit. Ninety-five percent of covered service is Class A credited service. Class A credited service includes teaching, state employment, general employment with participating counties and municipalities, general employment with participating school districts, and general employment with the Board of Regents.

Class B categories of credited service were created to deal with the special circumstances of public safety service and service in the judiciary.

Class B Public Safety credited service includes service as a state law enforcement officer, municipal police officer, municipal firefighter, county sheriff, deputy county sheriff, penitentiary correctional staff, parole officer, conservation officer, campus security officer, court services officer, air rescue firefighter, park ranger, Custer State Park conservation officer or approved jailer.

The stressful, physical nature of protecting the public means that service in public safety will be shorter than service in other employment. A higher contribution rate of 8 percent, matched by the employer ensures adequate payment to provide an earlier normal retirement age of 55 for Class B Public Safety credited service.

Class B Judicial credited service (service as a justice, judge or magistrate judge) carries with it a contribution by the member of 9 percent of salary, an amount matched by the employer. Normal retirement age for Class B Judicial credited service is 65, but because careers in the judiciary ordinarily begin at a relatively late age, there is a shorter period of time to accumulate retirement benefits.

# Eligibility and Participation

## Criteria for Class B Public Safety Membership

How does SDRS determine which groups are eligible to earn Class B Public Safety credited service? Any group seeking Class B Public Safety credited service must meet a specific set of criteria:

- The primary duty of the group must be to preserve the safety of the general public and protect human life and both private and public property.
- The duties of the group must be such that age reduces the capacity to perform at an acceptable level, resulting in a lower standard of protection to individual citizens and their property.
- The appointing authority, **not merely the employee group**, must have made a judgment that reduced capacity brought about by age will result in increased danger to individual citizens and their property. The appointing authority may not expand this group merely by changing job titles. (For list of appointing authorities, see below.)
- The duties must be hazardous, stressful and physically demanding. An individual's responsibility for the safety of individuals and their property must be full-time.

In addition to the criteria listed above, the statute defining the duties of a group may define the responsibilities for the safety of individuals and their property. For the complete text of "Criteria for Class B Membership," see Appendix.

Groups who wish to apply for Class B Public Safety status must follow a specific procedure. See Appendix, for a copy of "Procedure to Consider Requests for Class B Membership."

## Who Is Eligible to Participate in SDRS?

The participating unit makes the determination of eligibility. As a general guideline, an employee must be in a permanent classification and work in a position normally requiring performance of duty for at least 20 hours per week and at least six months per year. An employee who meets these criteria should be considered a full-time, permanent employee.

The **expected** hourly requirements are the crucial element. The actual hours worked may be more or less than the hours expected. If a person employed in a less-than-half-time position consistently works more than 20 hours a week, the position should be re-evaluated. In the same way, if an employee's hours fall below the required standard for a significant period of time, that employee's position should be changed to reflect its non-participating status. The expected months the employee will work are to be based upon the next 12 months, not the remainder of a calendar year or a school term.

There is no minimum or maximum age for eligibility in SDRS.

# Eligibility and Participation

## Who is Required to Participate in SDRS?

Participation in SDRS is mandatory for all permanent full-time employees of a participating unit. Both the employee and the employer must make contributions to SDRS. (The only exception is for elected officials, who choose whether to participate.)

If your unit fails to require participation and contributions from an eligible employee, substantial penalties may be levied against the unit. Employees are only entitled to service credit toward their benefit when contributions are made.

## Special Eligibility

While the “permanent, full-time employee” standard of at least 20 hours per week and at least six months per year is straightforward, questions often arise about specific situations. This section addresses some of those situations.

### A. Probationary Positions

The standard for permanent employees also applies to probationary employees.

### B. Employees Working for More Than One Employer

A permanent, full-time employee working for more than one participating unit must participate in SDRS through each unit for which he or she meets the eligibility standard. For example, an individual working for two employers may be required to participate with neither, with one or with both.

### C. Federal- and State-Financed Positions

Persons whose wages and salaries are paid in whole or in part by federal or state grants or reimbursements are considered employees. SDRS covers them in the same manner as it does employees paid from local funds. They are considered employees of the participating unit that hires them and directs their work even though another organization funds them. All SDRS members should be participating in Social Security.

# Eligibility and Participation

## **D. Retired Members**

Retired members who return to work in permanent, full-time positions for an SDRS-covered unit must participate in SDRS. They may continue to draw their SDRS retirement benefit if they retired with no early retirement benefit reduction. If, however, a member retires with a reduced SDRS benefit, that benefit will be suspended during the period of reemployment.

If reemployed retirees work for three or more years before re-retiring, their original monthly SDRS retirement benefits will continue and they will receive an additional retirement allowance calculated upon their credited service and final average compensation during reemployment period. (Members who retire with a reduced benefit and have their benefits suspended upon re-employment will have their original retirement benefits reinstated upon re-retirement.) Members who retire under the level income payment option should be cautioned to consider their situation before becoming reemployed.

Sometimes retired members return to work as independent contractors or consultants. As the authorized agent, you must be sure that there has been a significant change in their working relationship with the participating unit, not just a change in title. (For a more detailed explanation, see the next section, entitled, "Persons Not Eligible to Participate in SDRS.") If there has been no real change in their status, they must again participate in SDRS.

## **E. Elected Officials**

Elected officials may choose to join SDRS at any time during their term by submitting a Form E-4. Elected officials who choose to participate in SDRS are required to continue until their term ends.

## **F. Appointed Officials**

Appointed officials who are permanent, full-time employees must participate in SDRS. Persons appointed to elected positions are treated as elected officials.

## **G. County and City Hospital Employees**

Employees of county hospitals are reported to SDRS as county employees. Employees of city hospitals are reported as municipal employees.

# Eligibility and Participation

## **H. Police Officers and Firefighters**

Police officers are any permanent, full-time employees in the police department of a participating municipality holding the rank of patrolman, including probationary patrolman, or higher rank, who are subject to educational and training standards set by law.

The term “police officer” does not include civilian employees of a police department.

Firefighters are defined as permanent, full-time municipal firefighters. Volunteer firefighters are not eligible to become SDRS members.

## **If a Unit Becomes Privatized**

If a participating unit ceases to be a public entity and its functions become privatized (for example, if a public hospital is sold to a private sector company), the unit must pass a resolution designating the date that its employees will cease to be public employees eligible for membership in SDRS. The unit must notify both SDRS and its employees of this date. It is the responsibility of the participating unit to ensure that only its employees are covered by SDRS. Members no longer eligible to participate in SDRS due to the privatization may leave their contributions with SDRS, or they may take a refund of their accumulated contributions. In calculating retirement benefits for employees of privatized units, the years of private sector employment or with the successor employer count toward vesting and early retirement but do not apply toward credited service.

# Eligibility and Participation

## Persons Not Eligible to Participate in SDRS

### A. General Exclusions

The following persons are excluded from membership in SDRS:

*All Department of Labor employees who were hired before July 1, 1980, and elected to remain in the former plan; and members of the governing body of any participating county, municipality or other political subdivision.*

### B. Independent Contractors

A person performing services for your unit as an independent contractor is not considered an employee. Sometimes it is difficult to determine whether a person is an independent contractor or an employee. The most important question to ask is whether your unit directs and controls a person's time and manner of work performance. If it does, then that person is an employee. The following general guidelines may aid you in making a determination.

#### Indicates Person is an Employee:

- Works prescribed hours
- Works at your unit's office or premises
- Does not offer services to public generally
- Your unit furnishes tools and equipment
- Your unit furnishes assistants
- Paid a salary or hourly wage
- Your unit furnishes fringe benefits, such as sick days, hospital insurance, group life insurance, as is done for other employees
- Your unit carries liability insurance
- Your unit provides Workers' Compensation

#### Indicates Person is an Independent Contractor:

- Works at own convenience
- Works in own office or premises
- Offers services to public generally
- Furnishes own tools and equipment
- Hires own assistants and pays them from earnings
- Paid on a per-job basis
- Does not participate in fringe benefits with other employees
- Carries own liability insurance
- No Workers' Compensation

You should carefully examine the classification of any persons who have worked a substantial amount of time for your unit and are not classified as employees. To secure an official determination, file IRS Form SS-8 with the IRS. IRS Publication 963 provides additional information on this subject.



# Eligibility and Participation

## **C. Professional Consultants**

Professionals, such as lawyers, engineers, physicians, dentists and other consultants, who generally offer their services to the public are usually independent contractors and not employees. However, under certain circumstances they may be employees, particularly if they perform services at your unit's office at the time designated by your unit and are paid a salary rather than on a services-rendered basis.

## **D. Members of Religious Orders (Nuns, Brothers, etc.)**

Ordinarily, members of religious orders working for a participating unit and being paid by that unit are considered employees subject to SDRS coverage.

## **E. Emergency Workers**

Employees hired to perform "emergency services" are not eligible to participate in SDRS if the following conditions apply:

- The hiring is necessary because of an emergency that would be called an act of God or a disaster — such as a flood, tornado, fire or blizzard.
- The employee is hired for a short period and released when the emergency is over.
- The emergency is an unforeseen event calling for immediate action.

## **F. Jurors**

Jurors serving on petit or grand juries are not employees, because they are not subject to direction or control in the manner or means of performing their duties. No juror's compensation should be reported to SDRS for any purpose.

## **G. Patients and Inmates**

Hospital patients and inmates are not considered employees, even though they may perform some services. Any compensation they receive should not be reported to SDRS.

## **H. Work-Relief Programs**

SDRS does not cover persons in work-relief programs that do not pay them directly. For instance, if a welfare or public-assistance recipient performs work to qualify for assistance payments, the payments are not subject to SDRS contributions.

# Eligibility and Participation

## **I. Athletic Officials**

Referees, umpires and other officials officiating at athletic contests are usually independent contractors rather than employees. However, officials working in school intramural programs are often employees rather than independent contractors.

## **Special School-Related Situations**

### **A. Teachers**

By definition, a teacher is any person who has a valid teacher's certificate issued by the state of South Dakota and who is employed by a public school district on a permanent full-time basis. Thus, certified teachers performing classified jobs, such as teacher's aides, must participate in SDRS if they meet the full-time employment standard, even if the district does not cover classified employees.

### **B. Substitute Teachers**

Substitute teachers who do not meet the standard for permanent, full-time employees, even though they may be certified teachers, are not eligible to participate in SDRS.

### **C. Tutors**

Teachers who work as tutors and are paid directly by the student or the student's parent are not considered school employees. Teachers employed by a school district to instruct homebound students may be referred to as tutors but are in fact teachers and must participate in SDRS if they meet the permanent, full-time employment standard.

### **D. Non-teaching Certified Professionals**

All certified teachers employed by a public school district who have been placed in a permanent classification must participate in SDRS, even if they are employed in a non-teaching position.

# Eligibility and Participation

## **E. Classified Employees**

If a school district has chosen to cover its classified employees, all employees in positions such as the following must participate in SDRS, if they are permanent full-time employees:

- Teacher's aides and paraprofessionals
- Non-certified professionals
- Bus drivers (In classifying the position, the hours you expect a driver to drive on student trips and similar activities should be considered, as well as normal hours before and after school each day and hours spent in the care and maintenance of the bus.)
- Cafeteria employees
- Custodians
- Security guards employed by the school and not subcontractors working for another business or unit of government
- Crossing guards employed by the school and not by the municipality



# Retiree Benefits—Class A

Members of the South Dakota Retirement System can rely on a retirement benefit based upon a specific formula. The formula uses fixed multipliers, final average salary and years of credited service to calculate the benefit amount. Because the multiplier varies among members with Class A, Class B Public Safety and Class B Judicial credited service, these three classes are discussed separately.

## Class A Credited Service

### How Benefits Are Calculated

Two formulas determine benefits for Class A credited service at normal retirement (age 65) and at delayed retirement (after age 65). Both formulas will be calculated for all members with Class A credited service, and the formula resulting in the larger benefit will be used.

### Class A Standard Formula

#### Enhanced Benefit

1.625% X Final Average Compensation X Credited Service before July 1, 2002

#### PLUS

#### Base Benefit

1.55% X Final Average Compensation X Credited Service after July 1, 2002

### Class A Alternate Formula

#### Enhanced Benefit

2.325% X Final Average Compensation X Credited Service before July 1, 2002

#### PLUS

#### Base Benefit

2.25% X Final Average Compensation X Credited Service after July 1, 2002

#### LESS

80% of Primary Social Security

Members eligible for the alternate formula must provide a recent Personal Earnings and Benefits Estimate Statement from the Social Security Administration. Members who do not participate in Social Security during SDRS-covered employment are considered to receive maximum PIA as of time of retirement.

# Retiree Benefits—Class A

## Example

A member retires at age 62 on July 1, 2003, with 30 years of Class A credited service and a final average compensation of \$30,000. Because the standard formula generally results in the larger monthly benefit for most members, we will use this formula in our sample calculations.

### Enhanced Benefit

**.01625** (1.625%) X **\$30,000** (Final Avg. Compensation) X **28** (Credited Service before 7/1/2002) = \$13,650

### Base Benefit

**.0155** (1.55%) X **\$30,000** (Final Avg. Compensation) X **2** (Credited Service after 7/1/2002) = \$930

**Total SDRS Benefit = \$14,580 per year (or \$1,215 per month)**

When this \$1,215 SDRS benefit is added to the member's Primary Social Security benefit payable at age 62 (which we have estimated to be \$876 per month), she will have a total monthly income of \$2,091, or 84 percent of her final average salary.

## When Class A Members Can Retire

### Normal Retirement

Normal retirement age is 65 for members who have at least three years of Class A contributory service under the South Dakota Retirement System. Their normal retirement date is the first day of the month of their 65th birthday.

Members have several opportunities to retire before their normal retirement date, depending upon their age and years of service.

### Regular Early Retirement

If members have completed at least three years of contributory service, they may retire as early as age 55 and receive benefits from SDRS. They may begin receiving monthly lifetime retirement benefits right away, or they can wait until a later date.

If members decide to begin receiving benefits before age 65, their monthly lifetime retirement benefits will be reduced, because the payments will be stretched out over a longer period of time. (Special early retirement, described on page 19, is an exception to this reduction rule.)

The amount of the reduction depends upon a member's years of credited service and age when payments begin. If a member's credited service is 20 years or less and he or she retires early, benefits will be reduced by 3 percent for each year that payments are made before age 65.

# Retiree Benefits—Class A

The chart below shows the percentage of calculated benefits members will receive if they retire before age 65 and payments begin immediately.

## Early Retirement — Percent of Benefit Payable

Years of Credited Service	Age										
	55	56	57	58	59	60	61	62	63	64	65
20 and less	70%	73%	76%	79%	82%	85%	88%	91%	94%	97%	100%
21	73	76	79	82	85	88	91	94	97	100	100
22	76	79	82	85	88	91	94	97	100	100	100
23	79	82	85	88	91	94	97	100	100	100	100
24	82	85	88	91	94	97	100	100	100	100	100
25	85	88	91	94	97	100	100	100	100	100	100
26	88	91	94	97	100	100	100	100	100	100	100
27	91	94	97	100	100	100	100	100	100	100	100
28	94	97	100	100	100	100	100	100	100	100	100
29	97	100	100	100	100	100	100	100	100	100	100
30 and more	100	100	100	100	100	100	100	100	100	100	100

## Special Early Retirement

Members with Class A credited service can retire as early as age 55 and receive full monthly lifetime retirement benefits immediately if they meet certain service requirements. Usually, if a member retires and begins receiving payments before age 65, the amount is reduced because payments are expected to be made over a longer period of time.

Under special early retirement, however, members can retire before age 65 and begin receiving monthly lifetime retirement benefit payments immediately with no reduction in the monthly amount.

## Example

A member who has 18 years of credited service decides to retire at age 62, three years before normal retirement age. The SDRS monthly lifetime retirement benefit is calculated to be \$650 payable at age 65. If the member wants payments to start immediately, the monthly lifetime retirement benefit at age 62 is \$592, or 91 percent of the amount payable at age 65. This is calculated by multiplying 3 percent times three years, for a 9 percent reduction from the full benefit payable at age 65. Another member also decides to retire at age 62, but has 22 years of credited service. The monthly lifetime retirement benefit at age 65 is calculated to be \$750, and the member wants to begin receiving benefits right away. The monthly lifetime retirement benefit beginning at age 62 will be \$728. Because the member has more than 20 years of credited service, the member will receive 97 percent of the monthly lifetime retirement benefit payable at age 65. If this member had 23 years of credited service and retired at age 62, they would qualify for special early retirement and could receive a full benefit (100 percent) immediately.

## Retiree Benefits—Class A

The table below shows the combinations of age and credited service that will produce a full monthly lifetime retirement benefit if members retire early and begin receiving payments immediately.

### Requirements for Special Early Retirement

	Age									
	55	56	57	58	59	60	61	62	63	64
Years of Credited Service	30	29	28	27	26	25	24	23	22	21



# Retiree Benefits—Class B Public Safety

## Class B Credited Service: Public Safety

### How Benefits Are Calculated

The following formula is used to determine benefits for Class B Public Safety credited service at normal retirement (age 55) and at delayed retirement (after age 55):

#### Enhanced Benefit

2.325% X Final Average Compensation X Credited Service before July 1, 2002

#### PLUS

#### Base Benefit

2.0% X Final Average Compensation X Credited Service after July 1, 2002

### Example

A member retires from the highway patrol in 2004 at age 55 with 30 years of Class B Public Safety credited service and a final average compensation of \$32,000 (or \$2,667 per month).

#### Enhanced Benefit

**.02325** (2.325%) X **\$32,000** (Final Avg. Compensation) X **28** (Credited Service before 7/1/2002) = **\$20,832**

#### Base Benefit

**.02** (2.0%) X **\$32,000** (Final Avg. Compensation) X **2** (Credited Service after 7/1/2002) = **\$1280**

**Total SDRS Benefit = \$22,112 per year (or \$1,843 per month)**

## Members with Both Class A and Class B Credited Service

If a member with Class B Public Safety credited service also has Class A credited service, the member's benefit will be calculated in two parts at retirement.

The benefit for Class A credited service will be calculated using the Class A benefit formulas and will be payable at age 65. A reduced benefit is available as early as age 55.

The benefit for Class B credited service will be calculated using the Class B Public Safety formula above and will be payable at age 55. A reduced benefit is available as early as 10 years before normal retirement age if the member has at least three years of Class B Public Safety credited service.

# Retiree Benefits—Class B Public Safety

## Class B Public Safety Service Participation Dates

Several job classifications have dates that determine the type of credited service for which a member is eligible:

- penitentiary correctional staff hired before July 1, 1978
- county sheriffs and deputy sheriffs hired before January 1, 1980
- conservation officers hired before July 1, 1983
- certain police officers without law-enforcement certification between July 1, 1983, and June 30, 1988
- certain deputy sheriffs without law-enforcement certification between January 1, 1980, and June 30, 1988
- parole agents hired before July 1, 1991
- air rescue firefighters hired before July 1, 1992
- court services officers hired before July 1, 1993
- certain campus security officers hired before July 1, 1993
- park rangers and Custer State Park conservation officers hired before July 1, 1995
- approved jailers (reclassification dates will vary)

The groups listed above were classified as Class A prior to the dates shown. If a member belongs to one of these groups and was employed prior to the time the position was changed from Class A to Class B Public Safety, the member's benefit will be calculated in two parts at retirement.

At retirement, a member's years of Class A and B credited service will be combined to yield the total number of years of credited service. This figure, combined with the member's age, will determine what reduction in benefits, if any, a member will receive for early retirement.

## Example

A member is retiring at age 50 with 10 years of Class A credited service and 15 years of Class B Public Safety credited service. The combined years of credited service (25) and age (50) qualify the member for an unreduced Class B Public Safety monthly lifetime retirement benefit. The Class B benefit, however, will be based upon 15 years of Class B credited service. At age 60, the member can receive an unreduced Class A benefit based upon 10 years of Class A credited service under the Special Early Retirement provisions.

# Retiree Benefits—Class B Public Safety

## Conversion of Class A Credited Service to Class B Public Safety Credited Service

If a current contributing member with Class B Public Safety credited service earned Class A credited service in one of the positions listed above prior to the dates shown, the member has the option of converting that Class A credited service to Class B credited service.

The cost to convert service depends on your age and is an actuarially determined percentage of your current salary (or final average compensation, if greater). Payment for conversion may be made in a lump sum or amortized over a period of up to 10 years.

Participating units have the option of paying all or a portion of the cost of converting credited service for their employees, but it is not mandatory that they do so.

Members are responsible for providing the necessary documentation of prior credited service that is eligible for conversion to SDRS.

The following chart illustrates the cost and for converting Class A credited service to Class B Public Safety credited service. Only current, contributing Class B Public Safety members are eligible to make this conversion.

## Converting Class A Credited Service to Class B Public Safety Credited Service

Age at Conversion	% of Combined Contributions*	% of Pay
30 and Younger	25%	4.0%
31	35%	5.6%
32	45%	7.2%
33	55%	8.8%
34	65%	10.4%
35	75%	12.0%
36	85%	13.6%
37	95%	15.2%
38	105%	16.8%
39	115%	18.4%
40 and Older	125%	20.0%

\*Class B Public Safety combined member and employer contributions equal 16% of pay.

## Normal Retirement

To receive unreduced monthly lifetime retirement benefits, members with Class B Public Safety credited service must qualify for normal retirement. This means they must have at least three years of Class B Public Safety contributory service and have reached the normal retirement age of 55.

# Retiree Benefits—Class B Public Safety

## Early Retirement — Three or More Years of Contributory Service

Members with Class B Public Safety credited service who have completed at least three years of contributory service may retire as early as age 45 and receive monthly lifetime benefits from SDRS.

If members choose to have payments begin prior to normal retirement age, payments will be reduced, because it is expected that they will be made over a longer period of time. Benefits will be reduced by 3 percent for each year payments are made before normal retirement age.

The table below shows the percentage of benefit payments members will receive if they take early retirement and begin receiving monthly lifetime retirement benefit payments immediately.

### Early Retirement — Percent of Benefit Payable

Years of Credited Service	Age										
	45	46	47	48	49	50	51	52	53	54	55
20 and less	70%	73%	76%	79%	82%	85%	88%	91%	94%	97%	100%
21	73	76	79	82	85	88	91	94	97	100	100
22	76	79	82	85	88	91	94	97	100	100	100
23	79	82	85	88	91	94	97	100	100	100	100
24	82	85	88	91	94	97	100	100	100	100	100
25	85	88	91	94	97	100	100	100	100	100	100
26	88	91	94	97	100	100	100	100	100	100	100
27	91	94	97	100	100	100	100	100	100	100	100
28	94	97	100	100	100	100	100	100	100	100	100
29	97	100	100	100	100	100	100	100	100	100	100
30 and more	100	100	100	100	100	100	100	100	100	100	100

## Example 1

Retire at age 50 with 20 years of credited service:

If a member decides to retire at age 50 with 20 years of credited service, five years before normal retirement age, the monthly lifetime retirement benefit is calculated to be \$1,330 payable at age 55. If payments start immediately, the monthly benefit at age 50 will be \$1,131, or 85 percent of the amount payable at age 55. This is calculated by multiplying 3 percent times 5 years, for a total of a 15 percent reduction from the full benefit payable at age 55. The lifetime value of the SDRS benefit in this example is \$770,000.

# Retiree Benefits—Class B Public Safety

## Example 2

Retire at age 50 with 24 years of credited service:

If a member decides to retire at age 50 with 24 years of credited service, five years before normal retirement age, the monthly lifetime retirement benefit is calculated to be \$1,670. If payments start immediately, the monthly benefit at age 50 will be \$1,620. In this case, the member will receive 97 percent of the benefit payable at age 55. Note that in this example, if the member had 25 years of credited service and retired at age 50, he or she would qualify for special early retirement and could receive a full benefit (100 percent) immediately. The lifetime value of the SDRS benefit in this example is \$1,103,000.

## Example 3

Retire at age 45 with 25 years of credited service:

If a member decides to retire at age 45 with 25 years of credited service, the monthly lifetime retirement benefit at age 55 is calculated to be \$1,500. If payments start immediately, the monthly benefit beginning at age 45 will be \$1,275, or 85 percent of the benefit payable at age 55. The lifetime value of the SDRS benefit in this example is \$1,081,000. If, in this example, the member had 20 years or less of credited service, he or she would receive 70 percent of the benefit payable at age 55.

### Special Early Retirement

Members with Class B Public Safety credited service who have completed at least three years of contributory service are eligible to retire with no reduction for early retirement when their age plus years of credited service equal 75 with a minimum age of 45.

### Requirements for Class B Public Safety Special Early Retirement

	Age									
	45	46	47	48	49	50	51	52	53	54
Years of Credited Service	*	*	28	27	26	25	24	23	22	21

\* Would require employment before age 18.

# Retiree Benefits—Class B Judicial

## Class B Credited Service: Judicial How Benefits Are Calculated

The following formula is used to determine benefits for Class B Judicial credited service at normal retirement (age 65) and at delayed retirement (after age 65):

For first 15 years of credited service:

### Enhanced Benefit

3.658% X Final Average Compensation X Credited Service before July 1, 2002

### PLUS

### Base Benefit

3.333% X Final Average Compensation X Credited Service after July 1, 2002

Years of credited service in excess of 15:

### Enhanced Benefit

2.325% X Final Average Compensation X Credited Service before July 1, 2002  
in excess of 15 years

### PLUS

### Base Benefit

2.0% X Base Benefit X Credited Service after July 1, 2002 in excess of 15 years

## Example

A judge retires in 2004 at age 65 with 25 years of Class B Judicial credited service and a final average salary of \$85,000. His SDRS lifetime monthly retirement benefit would be calculated as follows:

### Enhanced Benefit

.03658 (3.658%) X \$85,000 (Final Avg. Compensation) X 15 (Years of Service before 7/1/2002) =  
\$46,640

### PLUS

### Base Benefit

.03333 (3.333%) X \$85,000 (Final Avg. Compensation) X 0 (Credited Service after 7/1/2002) = \$0

### Enhanced Benefit

.02325 (2.325%) X \$85,000 (Final Avg. Compensation) X 8 (Additional Years before 7/1/2002) =  
\$15,810

### PLUS

### Base Benefit

.02 (2.0%) X \$85,000 (Final Avg. Compensation) X 2 (Years of Credited Service after 7/1/2002)  
=\$3,400

Total Benefit = \$46,640 + \$15,810 + \$3,400 or \$65,850 per year (or \$5,488 per month)

# Retiree Benefits—Class B Judicial

## When Members Can Retire

### Normal Retirement

Normal retirement age is 65 for members with at least three years of Class B Judicial contributory service.

### Regular Early Retirement

Under regular early retirement, members can retire at age 55 and receive a monthly lifetime retirement benefit, as long as they have at least three years of contributory service. Payments will be reduced if members start receiving benefits before age 65 .

The chart below shows the percentage of the calculated benefit members will receive, depending upon their age and years of credited service, if they retire before age 65 and payments begin immediately.

### Class B Judicial Early Retirement – Percent of Benefit Payable

Years of Credited Service	Age										
	55	56	57	58	59	60	61	62	63	64	65
15 and less	70%	73%	76%	79%	82%	85%	88%	91%	94%	97%	100%
16	73	76	79	82	85	88	91	94	97	100	100
17	76	79	82	85	88	91	94	97	100	100	100
18	79	82	85	88	91	94	97	100	100	100	100
19	82	85	88	91	94	97	100	100	100	100	100
20	85	88	91	94	97	100	100	100	100	100	100
21	88	91	94	97	100	100	100	100	100	100	100
22	91	94	97	100	100	100	100	100	100	100	100
23	94	97	100	100	100	100	100	100	100	100	100
24	97	100	100	100	100	100	100	100	100	100	100
25 and more	100	100	100	100	100	100	100	100	100	100	100

### Special Early Retirement

## Example

A judge with 15 years of contributory service decides to retire at age 62, three years before normal retirement age. The SDRS monthly lifetime retirement benefit would be \$2,750, payable at age 65. If payments start immediately, the monthly lifetime retirement benefit at age 62 would be \$2,503, or 91 percent of the amount payable at age 65. This is calculated by multiplying 3 percent times three years, for a 9 percent reduction from a full monthly lifetime retirement benefit payable at age 65.

Another judge also decides to retire at age 62, but has 17 years of contributory service. The monthly lifetime retirement benefit at age 65 would be \$3,000. If benefits start immediately, the monthly lifetime retirement benefit beginning at age 62 would be \$2,910 (97 percent of \$3,000).

If the second judge had 18 years of credited service and retired at age 62, he would qualify for special early retirement (Rule of 80) and would receive a full benefit (100 percent) immediately.

## Retiree Benefits—Class B Judicial

Members with Class B Judicial credited service can retire as early as age 55 and receive full benefits immediately if they meet certain service requirements. Usually, a member who retires and begins receiving payments before age 65 will receive a reduced amount, because payments are expected to be made over a longer period of time.

Under special early retirement, however, members can retire as early as age 55 and begin receiving monthly lifetime retirement benefit payments immediately with no reduction in the monthly amount if they have sufficient credited service.

The table below shows the combinations of age and credited service that will produce a full benefit for members who retire early and begin receiving payments immediately.

### Requirements for Special Early Retirement

	Age									
	55	56	57	58	59	60	61	62	63	64
Years of Credited Service	25	24	23	22	21	20	19	18	17	16

For example, under special early retirement, members can receive full benefits if they retire at age 55 with 25 years of credited service, or at age 58 with 22 years, and so forth.



## **Provisions Applying to All SDRS Members**

### **Delayed Retirement**

Members may elect to continue working beyond normal retirement age, thus delaying their retirement. Retirement benefit payments will begin when they actually retire.

### **When Payments Begin**

Benefits paid upon early, normal or delayed retirement will begin on the first day of the month following the latest of:

- the date on which a member makes his or her last contribution to SDRS
- thirty days after the written application for retirement benefits is received in the office of the SDRS administrator
- the date specified in the application for retirement

Members who fail to make a timely application for retirement benefits will be limited to three months of retroactive benefits.

# Retiree Benefits—Reemployment of Retirees

## Reemployment of Retirees

In order for a retirement benefit to commence, the member must unconditionally terminate employment. Any agreement to rehire a member negates a termination of employment and the retirement benefit may not commence.

When rehiring a retired member, you must be certain of the following conditions:

- The employee has absolutely and unconditionally resigned; forfeited all continued rights to employment; and is considered a terminated employee for other employee benefits, including any group health or life insurance plan and any similar Section 125 plans or accounts.
- No agreement to rehire has been made informally or formally prior to termination of employment. The employer cannot make any promises or innuendoes that the terminating employee will be rehired and should follow whatever normal practices are used to fill a vacant position.
- Any applicable accumulated vacation leave, sick leave or early retirement has been or will shortly be paid to the member.
- If a commission or board governs your entity, the member's resignation has been accepted in the form of a motion that notes all employment rights are forfeited.
- If the terminating member is obligated under an employment contract that is prematurely terminated due to the resignation, any forfeiture provisions for premature termination must have been activated. If the provisions have been waived, the rationale for waiving them should be included in the motion to accept the resignation.
- If the former member is rehired, and if a commission or board governs your entity, the rehire decision, including the new salary and terms of employment, is stated in a single motion, separate from the termination motion. In order for the separation of service to be valid, the employer must have discretion as to the salary and conditions of reemployment.
- If an employment contract is necessary, the rehire includes a new employment contract with the terms and conditions of the rehire fully specified.
- A criminal background check, if required by law, is completed.

## Reemployment of Retirees — Early Retirement

If members are reemployed before normal retirement age by a participating employer on a permanent, full-time basis after having retired with a **reduced** benefit, the monthly benefit payments will stop while the member is reemployed. When the member re-retires again (effective on or after July 1, 2004) they will be subject to the following:

## Retiree Benefits—Reemployment of Retirees

- Member will start receiving their reduced benefit again. However, the benefit will not include any COLA increases during the period of reemployment.
- **If less than three years of contributory service is performed** after the member's reentry into covered employment, upon subsequent retirement, they will receive a refund of their contributions plus 75 percent of the employer's accumulated contribution attributable to their period of reemployment.
- **If three years or more of contributory service is performed** after the member's reentry into covered employment, upon subsequent retirement, the member may elect to receive either an additional monthly benefit based on the credited service and compensation earned during the period of reemployment or 100 percent of their accumulated member and employer contributions attributable to the period of reemployment.

### Reemployment of Retirees — Special Early, Normal or Delayed Retirement

If members are reemployed before normal retirement age by a participating employer on a permanent, full-time basis after having retired with an **unreduced** benefit, their monthly benefit payments will not receive COLA increases while they are reemployed (exception for Class B Public Safety members who have moved to a Class A job). When the member re-retires (effective on or after July 1, 2004), they will be subject to the following:

- **If less than three years of contributory service is performed** after the member's reentry into covered employment, upon subsequent retirement, they will receive a refund of their contributions plus 75 percent of the employer's accumulated contributions attributable to the period of reemployment.
- **If three years or more of contributory service is performed** after the member's reentry into covered employment, upon subsequent retirement, they may elect to receive an additional monthly benefit based on their credited service and compensation earned during the period of reemployment or 100 percent of their accumulated member and employer contributions attributable to the period of reemployment.

### Reemployment and the Level Income Payment Option

Members who select the level income payment option, retire with a reduced benefit, and are presently under age 62 should be aware that reemployment by a participating unit will negate the advantages of the level income payment option. Specifically, their benefits will be suspended while they are reemployed, denying them the higher SDRS benefits they would have received prior to receiving Social Security. While their benefits will be recalculated to include their additional credited service and final average salary, a reduction will be made for the value of the higher level income payment option amounts received, and they will still receive smaller SDRS benefits.

Retired members considering returning to covered employment should contact SDRS for specific details.

## **Cost-of-Living Adjustment**

Members' benefits are protected with a shield against inflation. Each July 1st, benefits are increased by a cost-of-living adjustment (COLA). Cost-of-living adjustments are made to early retirement benefits just as they are to normal retirement benefits and are prorated for those who are retired less than a year.

## **Personal Benefits Statement**

Each year, active and inactive vested members receive a Personal Benefits Statement showing the total value of their SDRS lifetime benefits earned to date, based on their pay and credited service, and the amount of their initial monthly lifetime retirement benefits. The statement also shows the estimated lifetime value and the initial monthly lifetime retirement benefit payment if membership is continued until retirement at ages 55, 62 or 65. The total value is an estimate of the amount a member is projected to receive over the course of an average retirement. It includes the annual cost-of-living adjustment (COLA) that a member will receive each year during retirement.

In addition, the Personal Benefits Statement shows the member's accumulated contributions at the current date and at projected ages, the refund amount at the current date, and the percentage of current income that would be replaced by the SDRS monthly lifetime retirement benefit.

## **Retiree Statement**

All retired members receive an annual Retiree Statement that shows their total contributions and the amount of total lifetime retirement benefit payments from SDRS. In addition, the statement shows improvements that have been made to members' benefits since retirement. Finally, it reflects members' total SDRS credited service, both contributory and non-contributory. (Non-contributory service is service granted by law without contributions by either the member or the employer.)

### Survivor Benefits

#### If a Member Dies While Still Employed

A family benefit or a spouse benefit is paid if a member dies while contributing to SDRS or while receiving an SDRS disability benefit. The family benefit is payable when there are unmarried, dependent children under the age of 18 or when there are unmarried, dependent children who are permanently and totally disabled regardless of age.

#### Family Benefit

If there is a surviving spouse, the family benefit equals 40 percent of a member's final average compensation, plus an additional 10 percent per child (up to a maximum of six children.) The family benefit can never exceed 100 percent of the member's final average compensation. If there is no surviving spouse, a benefit equal to 20 percent of the member's final average compensation is paid to each eligible child's legal conservator (up to five children). The actual amount will be this calculated figure, reduced by 75 percent of the member's Primary Social Security benefit. As each child reaches age 18, the payment is reduced accordingly. The payments continue until all children reach the age of 18. (Note exception for disabled children.)

#### Spouse Benefit

A spouse benefit will be paid when a surviving spouse reaches the age of 65. The spouse benefit is equal to 60 percent of a member's projected lifetime retirement benefit and will be calculated using the normal retirement formula.

The final average compensation used in the formula will be the member's final average compensation, plus annual cost-of-living adjustments through the member's normal retirement age. The credited service used in the formula will be the years of credited service a member would have earned if he or she had been a member of the system until age 65 (age 55 for Class B Public Safety).

#### Eligibility

For a member's spouse and family to be eligible for survivor coverage, the member must:

- be a contributing member at the time of death
- have at least one year of credited service
- be less than 65 years old (55 years old for members with Class B Public Safety credited service) or be receiving disability benefits from SDRS

### Optional Spouse Coverage

Members can also purchase additional coverage that will pay a salary continuation benefit to a surviving spouse for the span of years not covered by the family benefit. This benefit begins when there are no eligible children in the household and continues until the surviving spouse reaches age 65. The optional spouse coverage benefit equals 40 percent of a member's final average compensation.

There is a limited enrollment period for this optional benefit. A new member of SDRS may enroll in the optional spouse coverage any time within the first 365 days of membership. Members who have participated in SDRS for more than 365 days have two other opportunities to enroll:

- for 90 days after their 35th birthday
- for 90 days after their first wedding anniversary

The cost of this coverage is 1.2 percent of pay. A member must have made at least one contribution for optional spouse coverage before the member's death for the coverage to be in effect. Contributions for optional spouse coverage are not refundable if a member terminates employment.

### Survivor Benefit After Retirement

If a member dies after retirement, SDRS pays a survivor benefit to the member's surviving spouse. This benefit is equal to 60 percent of the benefit being paid to the retiree at the time of death and continues for the surviving spouse's lifetime. This benefit will also be paid to the surviving spouse of an active member who dies after reaching normal retirement age, even though the member was still employed. The amount will be based upon the benefit the member would have been receiving if he or she had retired.

Members who retired under a predecessor retirement option may have chosen a straight life annuity that does not pay survivor benefits or may have elected an eligible person, other than the surviving spouse, to receive the survivor benefit. If these members are later reemployed by a participating unit, they will be eligible for survivor benefits, but these benefits will be based only upon their new SDRS-covered employment. Previously, SDRS sent two checks in such cases, one for the earlier straight-life annuity without survivor benefits and one for the later retirement benefits including survivor benefits. Now, one check is issued to cover both situations, and includes the survivor benefit as part of its total amount. If both the retired member and the member's spouse die before receiving all contributions made by the member and his or her employer plus interest, the member's named beneficiary or estate will receive the remaining accumulated contributions.

### Disability Benefits

#### Eligibility

If a member cannot work because of a disability that is expected to last one year or longer, the member may be eligible for a monthly benefit from SDRS. This benefit is payable until the member no longer qualifies under SDRS disability criteria or until a member reaches normal retirement age and retirement benefits begin. An exception is made for a member who begins receiving disability benefits after age 60. His or her disability benefits may continue for a period of up to five years before being converted to a retirement benefit. While a member is drawing disability benefits, that member will continue to earn credited service toward a retirement benefit up to normal retirement age (65 for Class A and Class B Judicial, 55 for Class B Public Safety), as if the member had been continuously employed. Employers should note that a member may choose to convert to retirement as early as age 55 (age 45 for Class B Public Safety) and receive a reduced monthly lifetime retirement benefit.

A member is eligible to apply for disability benefits after three years of contributory service. If a member is accidentally disabled while performing the usual duties of his or her job, the member is immediately eligible to apply for disability benefits, provided he or she is a contributing member at the time the disability occurs.

A disability is any medically determinable physical or mental impairment that prevents a member from performing the usual duties of his or her job. A member will not qualify for benefits under this plan if the disability is the result of a willful or self-inflicted injury.

For a discussion of the disability approval process, see Appendix.

#### Amount of Disability Benefit

For members whose disability benefits started after July 1, 1994, SDRS allows 36 months of SDRS disability payments, equal annually to 50 percent of a member's Final Average Compensation. An additional 10 percent is paid for each dependent child under age 18 (up to a maximum of four children) or for dependent disabled children of any age. This benefit will be paid for three years regardless of disability payments from other public sources, such as Social Security. (However, if disabled members receive earned income that, together with their disability payments, totals more than their Final Average Compensation, SDRS will reduce their disability benefit payments.)



### 37th Month and After

Beginning with the 37th month, SDRS will adjust the member's disability benefit to coordinate with any Social Security disability payments. Most SDRS members who qualify for SDRS disability benefits will also qualify for Social Security disability payments. Even if a member doesn't qualify under Social Security, SDRS still provides minimum disability benefits. The amount a member receives from SDRS will depend on whether or not the member is eligible for and receiving Social Security disability benefits.

If the member is receiving Social Security disability benefits, the member will receive from SDRS the greater of:

- the SDRS disability payment the member has been receiving less the amount of the Primary Social Security; **or**
- an amount equal to the member's unreduced earned retirement benefit as of the date of disability (this payment will not affect the member's future retirement benefit)

Regardless, the minimum disability benefit the member will receive from SDRS is 20 percent of the member's Final Average Compensation. The member who is not eligible for and not receiving Social Security payments at the beginning of the 37th month will receive the greater of:

- an amount equal annually to 20 percent of the member's Final Average Compensation; **or**
- an amount equal to the member's unreduced earned retirement benefit as of the date of disability (this payment will not affect the member's future retirement benefit)

All disability benefits are paid monthly.

Members seeking disability benefits should apply as soon as possible. If a member does not apply within three years of the date contributory service ends, the member will forfeit the right to a disability benefit from SDRS.

### Disability and Retirement

While receiving disability payments from SDRS, the member will continue to earn credited service toward a retirement benefit until normal retirement age (65 for Class A and Class B Judicial, 55 for Class B Public Safety). Additionally, in most cases, when a member reaches age 65, the disability allowance will be converted to a retirement benefit. In calculating the retirement benefit, SDRS will use the member's Final Average Compensation and will increase it each year the member was on disability by the cost-of-living adjustment.

If a member begins receiving a disability benefit after age 60, he or she may continue to receive disability benefits for five years before converting to a retirement benefit, if eligible.



### **Termination Benefits**

Members who terminate employment before they are eligible for early retirement have a choice: they can leave their accumulated contributions with the system, or they can withdraw their accumulated contributions in lieu of a monthly lifetime benefit from SDRS. Accumulated contributions are all of the contributions a member has made and all or a portion of the employer's contributions (depending upon length of service) plus accumulated interest.

### **Non-Vested Members Who Leave Their Contributions on Deposit**

Members who have contributed to the system for less than three years nonvested) may leave their contributions with the system for up to 10 years from the date of termination. (This option is often chosen by members who anticipate possible reemployment with a participating unit.) Interest earnings will continue to be credited during that time. The SDRS Board of Trustees sets the interest rate annually. The interest is credited annually and prorated for refunds.

After 10 years, non-vested members must withdraw their contributions. If SDRS is unable to locate a member to process the mandatory refund, that member's accumulated contributions will revert to the system after 11 years.

### **Non-Vested Members Who Withdraw Their Contributions**

Members with less than three years of contributory service (non-vested) who choose to take a refund will receive 100 percent of their member contributions and 75 percent of their employer contributions, plus interest. Members who withdraw their contributions from the system will forfeit their rights to any other benefit under the system and to any future benefit improvements.

### **Vested Members Who Leave Their Contributions on Deposit**

Members who have at least three years of contributory service are "vested" members. This means they have the right to receive a monthly lifetime retirement benefit at age 65 (age 55 for Class B Public Safety), or a reduced amount as early as age 55 (age 45 for Class B Public Safety) if they leave their contributions with SDRS. From the time the member stops working for a participating unit until payments actually begin, the final average compensation (used in the benefit formula) will be increased each year by the COLA, and interest will continue to accrue on contributions.

### **Vested Members Who Withdraw Their Contributions**

Members with three or more years of contributory service (vested) who choose to take a refund will receive 100 percent of their member contributions and 100 percent of their employer contributions, plus interest. Members who withdraw their contributions from the system will forfeit their rights to any other benefit under the system and to any future benefit improvements.

### **Additional Provisions Applying to All Members Who Withdraw Contributions**

Members who withdraw their contributions may direct SDRS to place that withdrawal directly into an IRA or other eligible retirement plan in what is called a rollover.

If members choose to take possession of their refunds themselves, the IRS requires SDRS to withhold 20 percent of all refunds. This 20 percent withholding is used to offset the potential tax liability of the refund. These members may still roll their refund over into another eligible retirement plan within 60 days, but to avoid income taxes, they must deposit the entire amount of their refund, including the 20 percent that was withheld.

Members will pay income tax on any part of a refund that they do not roll over into another eligible retirement account. Additionally, a 10 percent penalty for early withdrawals will be assessed by the IRS on anyone under age 59½. (Note: All SDRS member contributions paid before July 1, 1984, were taxed. Refunds of contributions paid by members before July 1, 1984, are not subject to federal income tax, because the tax has already been paid.)

### **Reemployment of Former Members**

Members who withdraw their contributions when they terminate and are later rehired by a participating unit on a permanent, full-time basis can reinstate past credited service by redepositing those contributions, with interest at the valuation interest rate, from the date of withdrawal. This redeposit must be made in a lump sum during the first two years of reemployment. A contributing member also has the option of purchasing this service.

### **The Refund Explanation**

Vested members who refund from the system receive both member and employer contributions plus interest. This refund amount will often be substantial, but so will the losses stemming from the forfeiture of SDRS benefits. To be certain that members have the necessary facts to make an informed decision, SDRS has developed a Refund Explanation. This packet is sent to all members requesting information about refunds. Because this is such an important decision and because members may come to you with questions, it is imperative that you are familiar with the Refund Explanation. The following pages contain a reproduction of the explanation (members will receive a version specifically tailored for them) with suggestions to help members understand the information. Pages 1 and 4 are general in nature and apply to all members. The information on pages 2 and 3, however, is based on individual circumstances and is unique to each member.

**Refund Explanation  
on next page**



# Refund Explanation

South Dakota Retirement System

07/11/2005

You have informed us that you are considering applying for a refund from SDRS. This refund option is a unique benefit of SDRS because it includes both employer and employee contributions. But before you exercise your option, we encourage you to give your decision careful consideration. By taking a refund you will

- forfeit your guaranteed lifetime SDRS benefit **1**
- forfeit your spouse's guaranteed lifetime survivor benefit **2**
- forfeit your right to share in future benefit improvements
- forfeit your right to a guaranteed 3.1 percent annual increase in your benefits from the time you leave your job through the remainder of your life and the lifetime of your surviving spouse
- assume the risk for the investment performance of your contributions **3**
- make a decision that is irrevocable

To assist you in your decision-making process, we have included the following information in this refund packet.

1. A Refund Explanation: which includes a comparison of the lifetime value of your refund to the lifetime value of your SDRS benefit (pages 2 and 3); and answers to common questions regarding refunds (page 4)
2. Three attachments:
  - (a) a current Personal Benefits Statement that compares your contributions and lump-sum refund amount with the value of your lifetime SDRS benefit
  - (b) the formal application for an SDRS refund (Form B-4, "Applying for an SDRS ☐ Refund Benefit")
  - (c) an IRS Tax Notice that applies to SDRS refunds

If, after carefully reviewing the information in this packet, you decide to withdraw from SDRS, please complete the new B-4 form "Applying for an SDRS Refund Benefit" included in this packet. If you are married, make sure to have your spouse sign the form. Send it to: SDRS, P.O. Box 1098, Pierre, SD 57501. If you have additional questions regarding SDRS refunds, please call us at 773-3731.

## **Annotations to the Refund Explanation — Page 1**

1. The bulleted list following the first paragraph contains cautions regarding the consequences of taking a refund. These items summarize the negative effects withdrawals can have.
2. Some members may forget that they will not only forfeit their retirement benefit, but their spouse's survivor benefit as well.
3. This bullet reminds members who intend to roll their investments over into another retirement vehicle (such as an IRA) that they will bear the risk of the markets performing poorly. In other words, the SDRS guarantee of a lifetime benefit payment, regardless of market performance, will no longer apply.

## Annotations to the Refund Explanation — Page 2

1. This page gives members the information needed to compare the value of taking a refund with the value of taking an SDRS benefit. These values are projected over the course of an average lifetime and are based on three different annual investment returns — 4 percent, 6 percent and 8 percent. Projections on this page compare value over an entire lifetime, while those on page 3 compare value on a monthly basis using the same data.
2. This chart answers the question, “Over the course of my lifetime, which is a better financial decision, to take a refund or to leave my money in SDRS?”
3. Note: Broker fees and/or annuity fees could lower both the initial monthly payment and the lifetime value.
4. The dollar amount of the SDRS benefit remains the same even if investment returns fall. It will, however, be increased through benefit improvements if investment performance exceeds expectations over time.

# Comparing the Lifetime Value of Your Refund to the Lifetime Value of Your SDRS Benefit 1

The present amount of your SDRS refund is shown below. If you elect a refund, you must roll your refund amount into an IRA to avoid current income taxes and federal withdrawal penalties. Before finalizing your decision regarding a refund, you should understand how the combination of your refund and its earnings over a lifetime compare with the lifetime value of SDRS benefits.

**Your Present Refund Amount: \$ 22,057\***

*\* Your Present Refund Amount is effective xxxx.*

## Lifetime Value

The following chart makes this comparison based on three annual rates of investment return earned on your refund amount. The maximum rate of return shown in the chart is 8 percent, since 8 percent is the rate of return assumed by SDRS when calculating the lifetime value of its benefits. If future earnings exceed 8 percent, the lifetime value of SDRS benefits and the lifetime value of your refund will both increase.

## Comparison of Lifetime Values If You Retire at Age 55 2

**Based on an Annual  
Investment Return of:**

**The Lifetime Value of  
Your Refund Amount is:\***

**The Lifetime Value of  
Your SDRS Retirement  
Benefit is:**

4.0%

\$82,736

6.0%

\$108,152

8.0%

\$139,516

**\$143,869**

**3**

\* Broker and investment fees have not been subtracted from these amounts.

**4**

## Monthly Value 1

Another important comparison is the monthly payment you would receive from your refund, assuming you used the refund amount to purchase an annuity at retirement, with the monthly guaranteed benefits you would receive from SDRS. In both cases the benefits are paid for your entire life, increase each year by the SDRS COLA and include a 60 percent survivor benefit for a surviving spouse.

### Comparison of Monthly Values If You Retire at Age 55

2 Based on an Annual Investment Return of:	Your Initial Monthly Annuity Payment from Your Refund Amount Is:1	Your Initial Monthly SDRS Retirement Benefit Is: 4
4.0%	\$153	
6.0%	\$200	\$266
8.0%	\$258	

3 1 Broker and investment fees have not been subtracted from these amounts.

### Points to Consider When Refunding 5

When making a decision to take a refund from SDRS, consider the following:

- You will bear the risk for investment performance. If the investment markets do well, your fund is likely to grow significantly. If the markets falter, the dollars available for your retirement may be less than you anticipate — possibly significantly less. (While a balanced investment strategy, 50 percent common stock and 50 percent bonds, has historically earned an average annual return of 7 percent to 8 percent, there have been sustained periods of lower returns and even losses.)
- SDRS' benefits are guaranteed for the lifetime of the member and the member's surviving spouse, regardless of the market's performance.
- There may be broker and investment fees associated with aggressively managing your own IRA. Such fees have not been considered in the comparison charts above and can equal 1 percent to 2 percent of your assets each year.
- SDRS' guaranteed benefits are never reduced by fees or charges.
- Over the last 25 years of outstanding investment performance by SDRS, earnings above the assumed rate of 8 percent have doubled the value of SDRS benefits. While this is no guarantee of future performance, the possibility of additional improvements to SDRS benefits should be included in your analysis.





### **Annotations to the Refund Explanation — Page 3**

1. Projections on this page compare value on a monthly basis, while those on page 2 compare value over an entire lifetime.
2. This chart answers the question, “When I consider monthly retirement income, which is a better financial decision, to take a refund or to leave my money in SDRS?”
3. Broker fees and/or annuity fees could lower both the initial monthly payment and lifetime value.
4. The dollar amount of the SDRS benefit remains the same even if investment returns fall. It will, however, be increased through benefit improvements if investment performance exceeds expectations over time.
5. This section can be a useful checklist to use in reviewing a member’s refund decision.

### **Annotations to the Refund Explanation — Page 4**

1. SDRS anticipates that these will be the most common questions. There will be others. Please call SDRS if you need assistance.

## Questions & Answers

**If I withdraw contributions from SDRS, can I put the money back in at a later date and reinstate my right to benefits?**

Not unless you are rehired on a full-time basis by a public employer covered by SDRS. If you are, you may reinstate your past credited service by redepositing all withdrawn contributions with interest in a lump sum. You must make this redeposit during your first two years of reemployment.

**Do I have to withdraw all my contributions, or can I leave part of them in the system?**

You must withdraw them all.

**Why is my spouse required to sign the application for a refund?**

A spouse's signature is required because a refund means the loss of both your lifetime retirement benefits and survivor benefits, including a spouse benefit guaranteed for life. By signing the refund request, the spouse confirms that he or she is aware of the decision.

**What will happen to the value of my benefit if I leave my contributions with SDRS?**

You will receive a guaranteed annual increase in the amount of the benefit paid to you at retirement based on the SDRS COLA. In addition, the value of your benefit will be increased by any new improvements made to retirement benefits.

**When comparing the lifetime value of a refund amount and the lifetime value of an SDRS benefit, why do you base the comparison on investment returns of 4 percent and 8 percent?**

An earnings rate of 8 percent was used because it is approximately the amount of return that SDRS must earn before setting aside dollars to increase its benefits. By assuming an 8 percent rate of return for both SDRS and the refund amount, the comparisons remain "apples to apples." The 4 percent rate was used to illustrate the negative effect a weak market can have on the value of the refund amount. For example, in 2002 the S & P 500 lost 18.0 percent and gained only 0.3 percent in 2003.

### Credited Service

Credited service consists of complete or partial years of employment in which a member made contributions to SDRS, as well as years of employment credited to a member by SDRS for service in the retirement systems that consolidated into SDRS on July 1, 1974. Credited service is one of the factors used in the calculation of a member's lifetime retirement benefit.

Credited service includes time spent on authorized military leave of absence for a member's initial tour of duty, provided that the member returns to employment with a participating unit within one year of discharge and remains in employment for one year thereafter.

Credited service can also include time spent on an employer-approved leave of absence.

### Purchasing Prior Service Credit

#### Class A Members

Eligible member may buy additional credited service to SDRS. To be eligible, you must be a contributing member and have public employment for which you are not entitled to retirement benefits.

The cost to purchase Class A credited service depends on the member's age at the time of purchase. The cost is an actuarially determined percentage of their current salary (or their final average compensation, whichever is higher). The table below shows the percentages based on age to purchase one year of credited service:

Age at Purchase	% of Combined Contributions*	% of Pay
40 and Younger	100%	12.0%
41	110%	13.2%
42	120%	14.4%
43	130%	15.6%
44	140%	16.8%
45	150%	18.0%
46	160%	19.2%
47	170%	20.4%
48	180%	21.6%
49	190%	22.8%
50	200%	24.0%
51	210%	25.2%
52	220%	26.4%
53	230%	27.6%
54	240%	28.8%
55 and Older	250%	30.0%

\*Class A combined member and employer contributions equal 12% of pay.

## Additional Plan Provisions

### Class B Public Safety Members

Eligible members may buy additional credited service SDRS. To be eligible, the member must be a contributing member and have public employment for which they are not entitled to retirement benefits.

The cost to purchase Class B Public Safety credited service depends on the member's age at the time of purchase. The cost is an actuarially determined percentage of their current salary (or their final average compensation, whichever is higher). The table below shows the percentages based on age to purchase one year or credited service:

Age at Purchase	% of Combined Contributions*	% of Pay
30 and Younger	100%	16.0%
31	110%	17.6%
32	120%	19.2%
33	130%	20.8%
34	140%	22.4%
35	150%	24.0%
36	160%	25.6%
37	170%	27.2%
38	180%	28.8%
39	190%	30.4%
40	200%	32.0%
41	210%	33.6%
42	220%	35.2%
43	230%	36.8%
44	240%	38.4%
45 and Older	250%	40.0%

\*Class B Public Safety combined member and employer contributions equal 16% of pay.

### Class B Judicial Members

Eligible members may buy additional credited service to SDRS. To be eligible, you must be a contributing member and have public employment for which you are not entitled to retirement benefits.

The cost to purchase Class B Judicial credited service depends on the member's age at the time of purchase. The cost is an actuarially determined percentage of their current salary (or their final average compensation, whichever is higher). The table on the next page shows the percentages based on age to purchase one year of credited service:

## Additional Plan Provisions

Age at Purchase	% of Combined Contributions*	% of Pay
40 and Younger	100%	18.0%
41	110%	19.8%
42	120%	21.6%
43	130%	23.4%
44	140%	25.2%
45	150%	27.0%
46	160%	28.8%
47	170%	30.6%
48	180%	32.4%
49	190%	34.2%
50	200%	36.0%
51	210%	37.8%
52	220%	39.6%
53	230%	41.4%
54	240%	43.2%
55 and Older	250%	45.0%

\*Class B Judicial combined member and employer contributions equal 18% of pay.

If the employer has agreed to permit tax-deferred purchases of credited service, the payment for purchased service will reduce the member's salary and will not be considered taxable income to them currently. The purchase must be fixed, irrevocable and over a period not to exceed 10 years, with interest at the valuation interest rate. If the member terminates employment or dies before completing the purchase, the credited service will be adjusted based on the amount paid.

If the employer has not agreed to permit tax-deferred purchases, the purchase of credited service will not be tax-deferred. The member can finance their purchase over a period not to exceed 10 years, with interest at the valuation interest rate. If the member terminates employment or dies before completing the purchase, the spouse can complete the remaining payments within 90 days, or the credited service will be adjusted based on the amount paid.

The member may also purchase credited service by making a trustee-to-trustee transfer of funds from their individual retirement plan under section 403(b) or 457 of the Internal Revenue Code to SDRS.

In some cases, members who terminated, took a refund of their contributions and are later reemployed by a participating unit may wish to purchase credited service for their previous employment. They may do so, but their purchase will only reinstate the credited service. If they refund again, only the purchase cost will be refunded.

## Additional Plan Provisions

If a member wishes to purchase credited service for time spent working in non-Social-Security-covered employment, the member's ultimate Social Security benefit may be impacted. The member must contact the Social Security Administration to determine if, and by how much, their Social Security benefit will be affected.

### Standard Purchase Unit

In a unit not participating in the tax-efficient purchase plan, payment for prior credited service may be made in a lump sum or amortized over a period of up to 10 years. Members pay by personal check. (Note: some participating units allow payroll deduction.)

Purchases of prior credited service in these units are NOT tax-deferred.

### Tax-Efficient Purchase Unit

Participating units have the option of allowing their members to purchase prior credited service on a tax-deferred basis. This means that purchase payments will be deducted from a member's salary before income tax is calculated, resulting in a smaller tax payment. To take part in this option, employers must submit a written resolution to SDRS and agree to transmit all purchase data by electronic media. Several restrictions also apply to members in a tax-efficient purchase unit:

- Members may purchase prior credited service only with pretax dollars deducted from their salaries. Cash purchases are prohibited.
- All contracts for purchase are irrevocable — i.e., members may not suspend payments before purchases are completed. Only one contract per member is permitted at a time.
- Members who have an existing contract in place when their unit chooses to become a tax-efficient purchase unit have two options: switch to the tax-efficient purchase plan or terminate their contract.

All purchases of credited service must be completed one month before a member retires. A member must plan ahead to ensure that sufficient funds are available to cover the salary reduction. If a member terminates employment before the purchase is completed, the amount of service credited will be prorated based upon the amount of payments completed.

### Trustee-to-trustee Transfer

While purchasing prior service has always been an option, using existing dollars from certain eligible retirement funds is a method that only became available in 2002. Instead of purchasing service, the acquisition method uses an agreement to transfer the necessary funds from the trustee of the SRP, a similar § 457 plan, or a § 403(b) plan, directly to SDRS. In order to use this acquisition method, several requirements must be met.

- Members must be contributing to SDRS.
- Members must be participating in the SRP, a similar § 457 plan, or a § 403(b) plan. IRA's do not qualify.
- The transfer must exactly equal the amount necessary to acquire the credited service.
- The transfer must be between the trustees only and never accessible to the member.
- Only verified public employment may be acquired.
- Members must have:
  - Verified service that is not currently credited within SDRS;
  - Withdrawn their contributions from SDRS; **or**
  - Returned to work for an SDRS employer and want to acquire previously uncredited service.

If the transfer is from an entity other than the SDRS SRP, receiving the dollars within the specified time period may be difficult. Furthermore, some entities insist on paperwork that may delay the process. For ease in using a trustee-to-trustee transfer, a member may want to first move their funds to the SDRS SRP.

### Conversion of Class A Credited Service to Class B Public Safety Credited Service

The following Class B Public Safety positions were at one time classified as Class A:

- penitentiary correctional staff member, prior to July 1, 1978
- county sheriff or deputy county sheriff, prior to January 1, 1980
- conservation officer, prior to July 1, 1983
- police officer without law-enforcement certification, hired between July 1, 1983, and June 30, 1988
- sheriff and deputy sheriff without law-enforcement certification, hired between July 1, 1983, and June 30, 1988
- parole agent, prior to July 1, 1991
- air rescue fire fighter, prior to July 1, 1992
- court services officer, prior to July 1, 1993
- certain campus security officers, prior to July 1, 1993
- park ranger and Custer State Park conservation officer, prior to July 1, 1995
- approved jailers (reclassification dates will vary)

## Additional Plan Provisions

If a current, contributing member with Class B Public Safety credited service earned Class A credited service in one of these positions prior to the dates listed, the member has the option of converting that Class A credited service to Class B credited service.

Members may also convert certain Class A credited service earned as a public safety employee to Class B Public Safety credited service. The cost to convert service depends on your age and is an actuarially determined percentage of their current salary (or final average compensation, if greater). The chart below shows the percentages to convert one year of service:

### Converting Class A Credited Service to Class B Public Safety Credited Service (On or After July 1, 2004)

Age at Conversion	% of Combined Contributions*	% of Pay
30 and Younger	25%	4.0%
31	35%	5.6%
32	45%	7.2%
33	55%	8.8%
34	65%	10.4%
35	75%	12.0%
36	85%	13.6%
37	95%	15.2%
38	105%	16.8%
39	115%	18.4%
40 and Older	125%	20.0%

\*Class B Public Safety combined member and employer contributions equal 16% of pay.

### Redeposits

Members who terminate their employment and withdraw their contributions forfeit their right to any benefit under the system. If they are later rehired by a participating unit on a permanent, full-time basis, they may reinstate their past credited service by repaying all accumulated contributions they withdrew when they left, plus interest at 8 percent per annum from the date of withdrawal to the date of redeposit. The redeposit must be made in a lump-sum payment during the first two years of reemployment. A trustee-to-trustee transfer is also possible.

### Vesting

“Vested,” a word often used in discussing retirement plans, is the technical term for being entitled to a benefit. A person who is vested in a plan has a right to receive a lifetime retirement benefit.



## Additional Plan Provisions

SDRS members are vested after three years. They are entitled to a lifetime monthly benefit when they reach retirement age.

Members who leave SDRS employment after three years and leave their contributions with the system remain vested in the system. They can receive a lifetime monthly retirement benefit at normal retirement age or a reduced benefit up to 10 years earlier.

Members who terminate employment with SDRS before vesting may leave their contributions in the system for up to ten years. Interest earnings will continue to be credited to them during that time.

### **SDRS and Social Security**

Social Security benefits combine with a member's SDRS benefit for dependable retirement income. One goal of SDRS is to provide a retirement benefit including Primary Social Security to meet the basic retirement income needs of 70 to 85 percent of final pay for career employees (members with 30 or more years of credited service for Class A, 25 or more for Class B Public Safety and 20 or more for Class B Judicial).

Throughout an employee's working career, the employee and his or her employer contribute to the Social Security pool at rates set by federal law. When an employee retires, the benefits Social Security pays may include monthly payments beginning as early as age 62, or sooner if the employee becomes disabled or dies. Hospital and medical benefits for the employee and the employee's dependents begin at age 65, or earlier in case of disability. Dependents may also qualify for survivor's benefits if the employee dies.

Calculating a person's monthly Social Security benefit is complicated and requires detailed information, such as age, date of retirement, disability or death, and a year-by-year earnings history. The Social Security Administration prepares these calculations for individuals annually after age 25, when they retire or upon request. Detailed information about monthly benefit payments and Medicare coverage is available from your local Social Security office. Members should be encouraged to review their Social Security Benefit Estimate Statement from the Social Security Administration to ensure that the information contained in their record is accurate.

### Level Income Payment Option

Members who retire early (before age 62) and wish to receive benefit payments immediately may elect the level income payment option. Because retirement before age 62 means retirement without Social Security, members may find their SDRS benefit alone inadequate to meet their needs. The level income payment option softens the impact of this income loss by increasing the regular SDRS benefit during the pre-Social Security period. Then, when Social Security begins at age 62, the SDRS benefit is decreased. The result is an income that is approximately “level” throughout the retirement years.

On average, members who choose the level income payment option receive the same amount in benefits over their life expectancy as members who do not. Larger SDRS benefits are paid in the early stages of retirement, smaller benefits in later years. Consequently, the total payments are equal, and only the timing differs.

Members should, however, realize the impact that the level income payment option could have on a surviving spouse’s benefit. After a retired member’s death, SDRS pays the spouse a benefit equal to 60 percent of the member’s benefit. Under the level income payment option, the spouse will receive 60 percent of the member’s **reduced** payment if the member dies after age 62. If the member dies before age 62, the spouse will receive 60 percent of the current payment, but the payment will be reduced on the date the member would have reached age 62.

Members electing the level income payment option must submit a recent Personal Earnings and Benefits Estimate Statement from the Social Security Administration to SDRS. The annual statement received two to three months prior to the member’s last birthday may be used.

Some members who have retired under the level income payment option and who are under age 62 may find that reemployment with an SDRS employer defeats the purpose of choosing the option and causes them to lose money overall.

### Direct Deposit of Benefit Checks (Automatic Clearing House)

With Automatic Clearing House (ACH), SDRS benefits are paid through direct deposit into the accounts of members receiving monthly benefits. Under this program, the benefit payment is electronically deposited into the member’s bank account on the 15th of each month. This method ensures the timely delivery of benefits. The convenience of direct deposit (ACH) can also be important to retirees and disabled members who find it difficult to leave home to do their banking and to those who go south for the winter.

## Additional Plan Provisions

Retirees should complete SDRS Form B-6 (Authorization for Direct Deposit of Benefit Payments), and attach a voided check blank to apply for direct deposit. Members should be advised that if they change banks or account numbers, they must notify SDRS immediately to ensure their funds are deposited correctly.

### Supplemental Retirement Plan

While SDRS benefits and Social Security will provide the majority of retirement income for SDRS members, most will need additional income from personal investments if they intend to maintain the standard of living they enjoyed while employed. To make it easier for members to set aside money for their retirement, SDRS offers a voluntary, tax-sheltered deferred compensation plan called the Supplemental Retirement Plan (SRP).

The SRP offers a number of investment alternatives selected by the South Dakota state investment officer. The board has contracted with National Retirement Solutions, Inc. (NRS) as the third-party administrator to explain the plan and investment alternatives and to provide other plan services under the supervision of the SDRS Board. All SDRS members are eligible to participate in the SRP.

Your responsibility as an authorized agent is to inform members of the availability of the SRP and to provide them with the toll-free number to call for more information (1-800-959-4457).

All SDRS participating units participate in the SRP.

### Features of SRP

The plan's investment alternatives range from low-risk money market funds to higher-risk and potentially higher-earning growth funds. Contributions and earnings are not subject to taxation until a member retires and begins receiving benefits. At that time, the member's tax rate will probably be lower than it was during his or her working career. Thus, the tax savings on contributions and earnings can be substantial.

Members should be aware, however, that the SRP is NOT a liquid savings account from which they may withdraw funds at any time. There are limited situations in which funds can be withdrawn:

- upon termination of employment
- upon the death of a member, at which time the beneficiary may begin receiving a benefit
- in the event of an unforeseeable emergency. Unforeseeable emergency is defined in federal law as severe financial hardship as a result of a sudden and unexpected injury or illness. Normal budgetable expenses will not qualify.

## Additional Plan Provisions

The minimum contribution to the SRP is \$25 a month. The maximum deferral amount is governed by federal law and as of January 1, 2005, is 14,000 or 100 percent of includible compensation, whichever is less. The plan also has a catch-up provision that allows certain eligible participants to contribute more than the standard maximums during the three years prior to retirement. Members may change the amount they contribute or suspend contributions at any time. Contributions can be directed into a single investment alternative or as many as the member desires.

At retirement, members may choose one of the following methods of withdrawing their savings from the SRP:

- a lump-sum (or partial lump-sum) payment
- a lifetime annuity (i.e., a guaranteed dollar amount for life)
- substantially equal periodic payments calculated as:
  - a percentage of the total fund paid over a fixed period of time
  - a monthly fixed dollar amount paid until the funds are depleted

NRS, the plan administrator, provides essential administrative services. To finance the costs of these services, members are required to pay administrative fees. Contact NRS for more information on the fees for the SRP (1-800-959-4457).

### Assignment of SDRS Benefits

SDRS is a tax-qualified retirement plan. Under the plan provisions, the rights of a person to a benefit, a refund of accumulated contributions or any other benefit or right are exempt from process under law and may not be assigned to another party. The only exception is a qualified domestic-relations order (QDRO).

Using a bank as an example, this means:

- A member may not assign SDRS benefits or accumulated contributions to a bank as security for a loan.
- A bank may not foreclose on SDRS benefits or accumulated contributions to recover amounts owed by a member.

When helping a member complete financial statements, take care to explain that, although SDRS benefits are a member asset, they may not be assigned or attached.

### **Divorces and Qualified Domestic-relations Orders**

In both federal and state law, a qualified domestic-relations order (QDRO) is an exception to the provision that prohibits assignment of SDRS benefits. The value of an SDRS benefit is a marital asset that will be considered in the property settlement associated with any divorce of an SDRS member. In some situations, a member may be required (or wish) to assign part of his or her retirement benefit to satisfy an obligation under a property settlement.

While SDRS benefits constitute a marital asset, placing a value on the benefits is an extremely complex process. SDRS can provide a member the following information:

- the value of accumulated contributions (employer and member contributions with interest) as of a specific date
- an estimated lifetime monthly retirement benefit as of a specific date

For an active member, the monthly benefit is an estimate which may be subject to change depending upon the benefit formula multipliers and cost-of-living provisions existing at the time of retirement. Thus, the accumulated contributions may be a more accurate valuation.

For retired members, the monthly benefit payable at the time of retirement should be payable for the life of the member. Survivor benefits, however, cannot be paid to an ex-spouse or to the spouse of a post-retirement marriage. The ex-spouse should be aware that, if the member dies, the payments cease, regardless of whether the ex-spouse has received the value agreed upon in a property settlement.

In case of divorce, the member or member's attorney should contact the SDRS general counsel. Draft copies of QDROs, which might be used by a member's attorney, are available from SDRS. However, SDRS does not advise members about handling SDRS benefits during a divorce settlement.

If a portion of a member's lifetime retirement benefit is to be assigned to an ex-spouse, a QDRO is required and is subject to approval by SDRS. Members and their attorneys should also be aware that a QDRO may not:

- begin assignment of all or part of a benefit to an ex-spouse prior to the time the benefit is payable to the member
- expand or change an SDRS benefit
- continue an assignment of all or part of an annuity benefit beyond the lifetime of a member.

### **Military Call-ups**

When National Guard units and reservists across the state are called to active duty, the men and women who are public employees will be concerned about the possible effect their call-up may have on their SDRS benefits. Employees who replace those on military leave of absence will want to know their status as possible members of SDRS.

### **Retirement Benefits**

A member called to active duty will earn credited service in SDRS while serving in the armed forces if he or she meets the following requirements:

- secures authorization in advance from his/her employer for a leave of absence for military service;
- returns to the employment of an SDRS participating unit within one year of discharge from his/her initial period of military service; and
- remains in the employment of that same employer for at least one year upon his/her return.

This credited service does not require a contribution from either the employer or the member.

### **Survivor and Disability Benefits**

The continuation of SDRS survivor and disability benefits, however, depends upon the continued classification of an employee as contributing SDRS member during his or her leave of absence. To meet this requirement, both the member and employer contributions must be made to the system for each pay period of the member's leave of absence. This may be accomplished in at least four ways.

1. An employer may make both member and employer contributions to SDRS, pursuant to SDCL 3-12-85.
2. The employer may compensate the member for vacation, sick and other accumulated personal leave at something less than 40 hours per week. This method will extend the period of compensation allowing contributions to continue, which will have the effect of continuing SDRS survivor and disability benefits until all personal leave is exhausted.
3. A member may make the full member and employer contributions to the system during his/her leave of absence.
4. Employers and members may develop a method that combines Options 1, 2 and 3.

### Defining the Status of Temporary Replacements

Many employers have asked whether temporary replacements of activated employees must be enrolled in SDRS. To be a member of SDRS, an employee must be a “permanent full-time employee.” SDCL 3-12-47 (38) specifies three criteria that must be met before an employee is considered permanent and full-time. He or she must:

- be placed in a permanent classification;
- work 20 or more hours per week; and
- work six months or more per year.

In general, temporary replacements will not meet these criteria and, therefore, are not eligible for membership in SDRS. No one knows, however, how long any call-up will last. Consequently, it is possible that if the call-up is for an extended period of time, temporary replacements may become permanent employees as set forth in SDCL 3-12-47 (54). For temporaries working 20 or more hours per week, this point may come after six months of employment. As your temporary employees approach this length of service, please contact SDRS to discuss this situation.

If you have members in your unit who have been called to active military duty, please review their files and the alternatives that may still be open to them. If you have questions about continuing benefits to activated members or SDRS requirements regarding your temporary employees, please call SDRS.





Much of the work you do as an authorized agent revolves around the completion of forms. You are responsible for filling out some of these forms, while you give other forms to members for completion. Similarly, in some cases, you are responsible for sending a form to SDRS, but other forms are to be returned by the member.

To help you understand your responsibilities, the Event and Action flowcharts that follow show you the steps that must be taken in several common situations. Each chart tells you which forms are applicable and who sends it in, reminds you of information you should pass on and/or lists questions you should ask, and in some cases, lists materials you should distribute. “Additional Comments” at the end of some charts give you special instructions.

The rest of the chapter provides examples of the commonly used SDRS forms with annotations clarifying the entries to be made.

## **Forms That Authorized Agents Distribute**

- B-1 Termination of Contributory Service
- E-1 Application for SDRS Enrollment
- E-1a Notice of Return to SDRS Participation
- E-2 Notice of Enrollment Change
- E-3 Appointment of Authorized Agent
- E-4 Election to Participate in SDRS by Elected Official
- E-5 Beneficiary Designation Form

## **Forms That Are Sent Directly to Members from SDRS**

- B-2 Applying for SDRS Benefits
- B-3 Applying for SDRS Survivor Benefit
- B-4 Applying for an SDRS Refund Benefit
- B-5 Applying for SDRS Survivor Refund
- B-5b Applying for SDRS Beneficiary Refund
- B-6 Authorization for Direct Deposit of Benefit Payments
- D-1 Application for SDRS Disability Benefits
- D-2 Physician’s Evaluation
- D-3 Authorization for Release of Employer Information
- D-4 Authorization for Release of Medical Information

## **New Member Enrolls**

### **Complete Forms:**

Member completes Forms E-1 and E-5; Authorized Agent sends them to SDRS.

### **Tell Member:**

1. Contributions are tax-deferred.
2. Beneficiaries should be kept current.
3. About Supplemental Retirement Plan.

### **Distribute:**

1. General Brochure
2. Supplemental Retirement Plan Brochure

## **Member Selects Optional Spouse Coverage After Initial Enrollment**

### **Complete Forms:**

Form E-2

### **Tell Member:**

1. Contributions are made through payroll deductions.
2. Contributions for Optional Spouse Coverage are non-refundable and are not tax-deferred.

### **Distribute:**

1. Optional Spouse Coverage Brochure

### **Additional Comments:**

Many members are unaware of the Supplemental Retirement Plan. If you would like to have a representative of the SRP make a presentation to the members of your unit, call (800) 959-4457.

## **Elected Official (New Member) Enrolls**

### **Complete Forms:**

Member completes Form E-4 and Forms E-1 and E-5 at initial enrollment; Authorized Agent sends them to SDRS.

### **Tell Member:**

1. Election to participate is irrevocable until end of current term.
2. Contributions are tax-deferred.
3. No attachments may be used to list beneficiaries.
4. Beneficiaries should be kept current.
5. About Supplemental Retirement Plan.

### **Distribute:**

1. General Brochure
2. Elected Officials Brochure
3. Supplemental Retirement Plan Brochure

## **Elected Official (Current Member) Files**

### **Election to Participate Form E-4**

### **Complete Forms:**

Member completes Form E-4; Authorized Agent sends form to SDRS.

### **Tell Member:**

Election to participate is irrevocable until end of current term.

## Member Ends SDRS Employment and/or Participation

### Complete Forms:

Authorized agent completes Form B-1 and sends it to SDRS.

### Ask Member:

1. In cases of resignation, retirement, dismissal, or change of status, whether member wants contributions refunded.
2. In cases of leave of absence, whether member wants to continue contributions and keep disability and survivor coverages in force.

### Tell Member:

1. Members changing to part-time status must wait one year before withdrawing contributions.
2. Contributions of non-vested members can be left with the system for 10 years, where they will draw interest. After 11 years they are forfeited.
3. If member plans to take a refund, the member should contact SDRS to obtain a Refund Explanation packet.
4. Member should keep beneficiaries current and inform SDRS of any change in name or address.

## Member Applies for a Refund

### Complete Forms:

Member requests Refund Explanation packet from SDRS and returns Form B-4 (included in packet) directly to SDRS.

### Tell Member:

1. Contact SDRS about tax implications.
2. Member forfeits right to all other SDRS benefits.

## Member Asks to Redeposit Contributions

### Complete Forms:

None

### Tell Member:

1. Contact SDRS during first two years of reemployment.
2. Redeposit may be made at any time during first two years of reemployment.
3. Redeposit cost is amount refunded plus interest to date of redeposit.
4. Redeposit must be made in a lump-sum payment. A trustee-to-trustee transfer may be used to redeposit.

## Member Asks to End Optional Spouse Coverage

### Complete Forms:

Member completes Form E-2; Authorized Agent sends it to SDRS.

### Tell Member:

Contributions are non-refundable.

## Member Asks to Change Beneficiary

### Complete Forms:

Member completes a new Form E-5.

1. Any erasures or cross-outs in the section naming beneficiaries will void the form.
2. SDRS will not accept any attachments.

### Tell Member:

1. If naming a trust as beneficiary, give name of trustee, where trust is held, identifying number, and date of trust.
2. If a minor who is not the member's child is designated as beneficiary, contact SDRS about completion of a Transfer to Minors form.

## Active Member Dies

### Complete Forms:

1. Authorized agent completes Form B-1 and sends it to SDRS.
2. Survivor receives Form B-3 or B-5; or beneficiary receives Form B-5b; from SDRS; recipient completes form and sends it to SDRS.

### Tell Survivor:

Contact SDRS

## Member Requests Benefit Estimate

### Complete Forms:

None. Member contacts SDRS with request.

### Ask Member:

1. Date of planned retirement.
2. Whether a Level Income Estimate is desired.

### Tell Member:

1. Member must end employment and receive all final pay in month prior to retirement. If not, retirement benefit will be postponed.
2. Estimate is only for planning purposes. Current salary and projected service will be used. SDRS will not project salary.
3. Allow about three weeks for estimate to arrive.

### Additional Comments:

Preferable for member to call in own request.

## Member Applies for Retirement Benefit

### Complete Forms:

1. Member completes Form B-2 (ideally, three months before desired retirement date) and sends it to SDRS.
2. At least two weeks before member's anticipated termination of employment, authorized agent completes Form B-1 and sends it to SDRS.

### Ask Member:

1. Date employment will end.
2. Desired beginning date for retirement benefit.

### Tell Member:

1. Check will be electronically deposited in member's bank account the 15th of every month.

### Additional Comments:

1. Copy of member's birth certificate, spouses birth certificate, and marriage license must be submitted with Form B-2.
2. After receiving Form B-2, SDRS will call the authorized agent in the month prior to the retirement to request the amount of final pay that will be reported on the contribution report. This amount must be accurate in order to calculate the retirement benefit correctly.

## Member Requests Level Income Information

### Complete Forms:

1. Preferably, member contacts SDRS and asks for a Social Security Administration Request for Earnings and Benefit Estimate Statement. Member completes the form and sends it to Social Security; the estimate will go directly to SDRS.
2. Member may request form directly from Social Security and send the completed form to SDRS.

### Ask Member:

Date of planned retirement

### Tell Member:

1. Level Income Estimate is completed only after receipt of Social Security Estimate.
2. Allow eight to ten weeks for Social Security Estimate to arrive.
3. Only members retiring before age 62 are eligible for Level Income Payment Option.
4. Once Level Income Payment Option is elected, it cannot be changed.
5. Requests for estimates should be made at least six months in advance of retirement.

## Benefit Recipient Asks to Switch to Direct Deposit

### Complete Forms:

Benefit recipient completes Form B-6, Authorization for Direct Deposit of Benefit Payments, and sends form to SDRS.

### Tell Recipient:

The benefit check will be electronically deposited in the recipient's bank account the 15th of every month.



## Member Applies for a Disability Benefit

### Complete Forms:

1. Member completes Form D-1, Application for Disability Benefit, either while still employed or within three years of terminating contributory service.
2. Member sends form to SDRS.

### Tell Recipient:

1. Before applying, the member must first discuss with his or her employer the impairment which makes performing the usual duties of the member's position impossible.
2. SDRS will review the member's case and send additional forms to be completed by the member, the member's physician(s), and the employer.
3. All requested information on member, physician and employer forms must be supplied or forms will be returned, thus delaying the application process.



**Application for SDRS Enrollment**  
South Dakota Retirement System  
PO Box 1098 Pierre, South Dakota 57501-1098  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form E-1**

**Member Information (Please Print or Type All Items) (See back of form for Directions and Conditions)**

Member's Social Security Number <b>a</b>	Last Name <b>b</b>	First	MI	Maiden
Telephone ( )	Street Address or PO Box <b>c</b>	City	State	ZIP Code
Birthplace <b>d</b>	Date of Birth	Sex <input type="checkbox"/> Male <input type="checkbox"/> Female	Marital Status <input type="checkbox"/> Single <input type="checkbox"/> Married	

**Spouse Information**

Spouse's Social Security Number <b>e</b>	Last Name	First	MI	Maiden
Spouse's Birthplace	Date of Birth <b>f</b>	Place of Marriage	Date of Marriage <b>g</b>	

**Naming Your Beneficiary**

For your protection SDRS requests that you file a "SDRS" Form E-5" to designate your primary and contingent beneficiaries. Please obtain this form from your employer or contact SDRS for assistance. (See back of form for additional information). **h**

**Optional Spouse Coverage (See back of form for Directions and Conditions)**

I want to enroll in the Optional Spouse Coverage ☐ Yes ☐ No

I meet one of the following criteria:

I am a new member (see back of this page for definition of new member) ☐ Yes ☐ No **i**

I reached my 35<sup>th</sup> birthday within the past 90 days. ☐ Yes ☐ No

I reached the first anniversary of my marriage within the past 90 days. ☐ Yes ☐ No

I hereby authorize my employer to make deductions from my earnings as required by SDCL 3-12-104.

**Release of Information and Member Signature**

Authorization to Release Information

I authorize SDRS and my employer to exchange personnel and other records and information regarding my benefits as necessary, and specifically request that no information be otherwise released without authorization of law or my written authorization.

Member Signature <b>j</b>	Date
------------------------------	------

**Authorized Agent's Signature (To be Completed and Signed by Authorized Agent)**

Employer	Phone Number
Title of Member Position	Hire Date: Month Day Year <b>k</b>
Date Member Participation Began <b>l</b>	Classification of Employee <input type="checkbox"/> Class A <input type="checkbox"/> Class B Public <b>m</b> <input type="checkbox"/> Class B Judicial
	School and Regent Employees <input type="checkbox"/> Classified <input type="checkbox"/> Teacher/Admin <b>n</b>
If Member Has Selected Optional Spouse Coverage I have notified our payroll unit to begin deducting the voluntary additional contributions beginning in _____ Month/Year	
Authorized Agent Signature <b>o</b>	Date

## Instructions for Completing Form E-1 Application for SDRS Enrollment

- a. Applicants giving their Social Security number from memory often make mistakes. Ask them to consult their cards.
- b. This must be legible to be usable.
- c. This must be a complete mailing address including a street and/or box number.
- d. Applicant enters month, day and year of birth here.
- e. Ask member to consult spouse's Social Security card before entering this number.
- f. Member enters month, day and year of spouse's birth here.
- g. Member enters month, day and year of marriage here.
- h. If member wishes to file a separate beneficiary form, give member Form E-5, Beneficiary Designation Form.
- i. Member checks the box that reflects the member's eligibility to participate.
- j. Member must sign and date the form here for it to be valid.
- k. Indicates the date member became employed by your unit.
- l. Indicates the date member became, or is eligible to become, a participating member of SDRS.
- m. See page 11 for definitions of Class A and Class B members.
- n. Check appropriate box.
- o. Authorized agent must sign and date form here.



**Notice of Return to SDRS Participation**  
South Dakota Retirement System  
PO Box 1098 Pierre, South Dakota 57501-1098  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form E-1a**

**Member Information (Please Print or Type All Items)**

Member's Social Security Number <b>a</b>	Last Name <b>b</b>	First	Middle Initial	Maiden
Telephone ( )	Street Address or PO Box <b>c</b>	City	State	Zip Code

**Job Information**

Name of Employer	Original Hire Date <b>d</b> _____ Month/Day/Year
Date Returning to Work after Leave of Absence <b>e</b> _____ Month/Day/Year	Month of First Contributions following Leave of Absence <b>f</b> _____ Month/Year

Returning to SDRS Participation from:

- ☐ Military Leave of Absence\* **g**
- ☐ Leave of Absence
- ☐ Change of Status (from non-participating to participating status)

\*South Dakota Codified Law 3-12-86 provides for SDRS service credit upon return to employment after military service. § 3-12-86. Service credit for military leave of absence – Return to employment after service. A member shall receive credited service for leave of absence due to military service, authorized in advance by the employer, without contribution by the employee or employer if the member returns to the employ of a participating unit within one year from the member's date of discharge from the member's initial period of active military service and if the member remains in the employ of a participating unit for at least one year....

**Authorized Agent's Certification and Signature**

Signature <b>h</b>	Date
-----------------------	------

## **Instructions for Completing Form E-1a Notice of Return to SDRS Participation**

- a. Applicants giving their Social Security number from memory often make mistakes. Ask them to consult their cards, or their original E-1 form.
- b. This must be legible to be usable.
- c. This must be a complete mailing address including a street and/or box number.
- d. Indicates the date member originally became employed by your unit.
- e. Indicates the date member returned to work.
- f. Indicates month of first contributions following return to work.
- g. Check appropriate box.
- h. Authorized agent must sign and date form here.



**Notice of Enrollment Change**  
South Dakota Retirement System  
PO Box 1098 Pierre, South Dakota 57501-1098  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form E-2**

**Member Information (Please Print or Type All Items) (See back of form for Directions and Conditions)**

Member's Social Security Number **a** Last Name **b** First MI Maiden

**Change Address**

From: Street Address or PO Box City State ZIP Code

To: Street Address or PO Box **c** City State ZIP Code

**Change Marital Status (Attach Copy of Marriage Certificate or Divorce Decree)**

Spouse's Social Security Number **d** Last Name First MI Maiden

Spouse's Birthplace Date of Birth **e** Place of Marriage Date of Marriage **f**

**Change Name (Requires Authorized Agent's Signature) (See back of form for Directions and Conditions)**

To: Last Name First MI Maiden

**Optional Spouse Coverage (Requires Authorized Agent's Signature) (Attach Copy of Marriage Certificate)**

Enrollment (See back of form for Directions and Conditions)

☐ I want to enroll in the Optional Spouse Coverage. I hereby authorize my employer to make deductions from my earnings as required by SDCL 3-12-104. I meet one of the following criteria:

☐ I am within my first 365 days of SDRS membership.

☐ I reached my 35<sup>th</sup> birthday within the past 90 days.

☐ I reached the first anniversary of my marriage within the past 90 days.

**g**

End Participation

☐ End Coverage – I want to end my participation in the Optional Spouse Coverage. My reason for ending coverage is:

☐ Spouse has attained age 65

☐ Spouse has died

☐ Termination of Marriage

☐ Other

**Member's Signature**

Member Signature **h**

Date

**Authorized Agent's Signature (Complete and Sign for Optional Spouse Coverage and Name Changes)**

Notification

I have notified our payroll unit to: ☐ begin ☐ stop the above member's contributions for the Optional Spouse Coverage as

Provided by SDCL 3-12-104. The ☐ first ☐ last contributions will be for \_\_\_\_\_  
Month / Day / Year

Authorized Agent Signature **i**

Date

## **Instructions for Completing Form E-2 Notice of Enrollment Change**

- a. Members giving their Social Security number from memory often make mistakes. Ask them to consult their cards.
- b. This must be legible to be usable.
- c. This must be a complete mailing address including a street and/or box number.
- d. Ask member to consult spouse's Social Security card before entering this number.
- e. Member enters month, day and year of spouse's birth here.
- f. Member enters month, day and year of marriage here.
- g. Member checks the box that reflects the member's eligibility to participate.
- h. Member must sign and date the form here for it to be valid.
- i. Authorized agent must sign and date form here.





**Appointment of Authorized Agent**  
South Dakota Retirement System  
PO Box 1098 Pierre, South Dakota 57501-1098  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form E-3**

**Authorized Agent Information (Please Print or Type All Items)**

Name of Participating Unit

**a**

Name of Authorized Agent Last

First

MI

Job Title

Social Security Number

Work Address or PO Box

**b**

City

Zip Code

Email Address or Email Address of your designee

Name of your designee

Telephone Number

FAX Number

Type of Appointment – Check One of the Options Below:

☐ Additional Agent

☐ Replacement for Previous Agent Name of previous agent \_\_\_\_\_

**Signature of Official Appointing the Authorized Agent (Cannot be signed by the Authorized Agent)**

Signature

**c**

Title

Date



## **Instructions for Completing Form E-3 Appointment of Authorized Agent**

- a. Enter name of employer here — for example, Brookings School District.
- b. This address should be agent's complete work address.
- c. Employer's representative must sign here (ie. Chief Operating officer).



## Election to Participate in SDRS by Elected Official

South Dakota Retirement System

PO Box 1098 Pierre, South Dakota 57501-1098

Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form E-4**

### Elected Official Information (Please Print or Type All Items)

Member's Social Security Number <b>a</b>	Last Name				First	Middle Initial	Maiden
Telephone ( )	Street Address or PO Box <b>b</b>		City	State	Zip Code		
Date of Birth	Birthplace	Sex <input type="checkbox"/> Male <input type="checkbox"/> Female		Marital Status <input type="checkbox"/> Single <input type="checkbox"/> Married			
Employer		Elected Office					

### Elected Official's Certification

- ☐ I certify that I have elected to participate in the South Dakota Retirement System and have authorized payroll deductions to be made from my earnings. I understand that this election may not be revoked until the completion of my current term.
- ☐ I elect not to participate in SDRS.

### Elected Official's Signature

Signature <b>c</b>	Date
-----------------------	------

### Directions and Conditions

1. If SDRS Form E-1, Application for SDRS Enrollment, has not been previously mailed, it should be transmitted with this form.
2. The governing body of any participating county, municipality, or other political sub-division is excluded from membership in SDRS.
3. Credited service for elected officials is limited to service for which contributions were made.
4. A person appointed to a vacant elected position is considered to be an elected official and must also file this form if he or she elects to participate.
5. After the elected official has completed this form, the Authorized Agent should immediately notify the payroll unit to make the proper payroll deductions from the next payroll earnings.
6. Full-time elected officials have the option to participate if their positions normally require the performance of duty for 20 or more hours a week and at least six months a year.

## **Instructions for Completing Form E-4 Election to Participate in SDRS by Elected Official**

- a. This must be legible to be usable.
- b. This must be a complete mailing address including a street and/or box number.
- c. Elected official must sign and date form here.



# Beneficiary Designation Form

South Dakota Retirement System

PO Box 1098 Pierre, South Dakota 57501-1098

Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form E-5**

## Member Information (Please Print or Type All Items)

Member's Social Security Number <b>a</b>	Last Name <b>b</b>	First	M I	Maiden
Telephone ( )	Street Address or PO Box <b>c</b>	City	State	Zip Code

## Designation of Beneficiary (ies) (See back of form for Directions and Conditions)

### Primary Beneficiary

A primary beneficiary is the person or persons designated by you to receive any SDRS funds payable at your death that are not otherwise specified by governing statutes.

I hereby designate the following person and/or persons as my primary beneficiary (ies) and designate a percentage to each:

Name <b>b</b>	Address	Relationship	Share to Each <b>d</b>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

### Contingent Beneficiary

A contingent beneficiary is a person or persons who are designated by you in the event there are no surviving primary beneficiaries:

I hereby designate the following person and/or persons as my contingent beneficiary (ies) and designate the share percentage to each.

Name <b>b</b>	Address	Relationship	Share to Each <b>d</b>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

For your protection you should submit a new beneficiary form whenever there is a change in your family status or beneficiary designation. Please contact SDRS for assistance.

## Member's Signature

Signature <b>e</b>	Date
-----------------------	------

## **Instructions for Completing Form E-5**

### **Beneficiary Designation Form**

- a. Members giving their Social Security number from memory often make mistakes. Ask them to consult their cards.
- b. This must be legible to be usable.
- c. This must be a complete mailing address including a street and/or box number.
- d. The total shares indicated must add up to 100 percent.
- e. Member must sign and date form here for it to be valid.



**Termination of Contributory Service**  
South Dakota Retirement System  
PO Box 1098 Pierre, South Dakota 57501-1098  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form B-1**

**Member Information (Please Print or Type All Items)**

Social Security Number <b>b</b>	Last Name	First	Middle Initial	Maiden
Telephone (    )	Street Address or PO Box	City	State	ZIP Code

**Job Information**

Name of Employer	Date Employment Ended (or LOA commenced): _____ Month/Day/Year
Date Member will Receive Final Compensation (or, if LOA, Date of Last Compensation Prior to Beginning LOA) _____ Month/Year	Final Contributions (or Last Compensation Prior to LOA) will be Reported on the Monthly Contributions Report for: _____ Month/Year

**Reason for Ending SDRS Contributions**

- ☐ Military Leave of Absence
- ☐ Leave of Absence      Expected return from LOA \_\_\_\_\_ **c**
- ☐ Change of Status from Participating to Non-participating (Position will require less than 20 hrs per week or 6 months per year.)
- ☐ Death (If employee's death occurred while employment relationship existed, the date employment ended should be the same as the date of death.)
- ☐ \* Resignation/Termination
- ☐ Disability
- ☐ \* Retirement

\* If resignation/termination or retirement is indicated as the reason for ending SDRS contributions; I hereby certify under penalties of perjury, that this member: **d**

- Has fully and completely ended employment with this participating unit and unconditionally terminated and forfeited all employment rights, and
- Has not been rehired as a permanent full-time employee, or if rehired, was rehired in an open competitive process without any expressed or implied agreement to be rehired.

**Authorized Agent's Certification and Signature**

Signature <b>e</b>	Date
-----------------------	------

## **Instructions for Completing Form B-1**

### **Termination of Contributory Service**

- a. This form is to be completed by the authorized agent.
- b. Agent should ask members to consult their Social Security card before giving their number or consult the original E-1 form.
- c. Members who work less than 20 hours per week or less than six months per year are not eligible to participate in SDRS.
- d. Members will not receive retirement benefits if they have not unconditionally terminated employment and/or have not been rehired in an open competitive process.
- e. The only signature required on this form is that of the authorized agent.



**Applying for SDRS Retirement Benefits**  
South Dakota Retirement System  
PO Box 1098 Pierre, South Dakota 57501-1098  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form B-2**

Member Information (Please Print or Type All Items)				
Social Security Number <b>a</b>	Last Name <b>b</b>	First	Middle Initial	Maiden
Telephone ( )	Street Address or PO Box <b>c</b>	City	State	ZIP Code
Job Information				
Name of Employer <b>d</b>	Date Employment Will End: <b>e</b> Month/Day/Year			
Reemployment Information				
Please indicate which applies to you: <input type="checkbox"/> Not returning to employment with same unit <input type="checkbox"/> Will be returning to employment with same unit* <input type="checkbox"/> Have already returned to employment with same unit* <input type="checkbox"/> Unknown at this time <b>f</b>				
Benefit Information (Please Include a Copy of Birth Certificate if You Have Not Already Done So)				
Date Benefits to Begin* Month Year <b>g</b>	Date of Birth <b>h</b>	Sex <input type="checkbox"/> Male <input type="checkbox"/> Female	Marital Status <input type="checkbox"/> Single <input type="checkbox"/> Married	
Spouse Information (Please Include a Copy of Spouse's Birth and Marriage Certificate)				
Spouse's Social Security Number <b>i</b>	Last Name <b>j</b>	First	Middle Initial	Maiden
Birthdate of Spouse <b>j</b>			Date of Marriage <b>k</b>	
Authorization for Direct Deposit of Benefit Payments (Attach a voided check)				
Authorization <input type="checkbox"/> Yes, I authorize the South Dakota Retirement System to credit my benefit payments directly to my bank account as indicated on the attached voided check. I also authorize the financial Institution named to initiate the credit/debit process for my account, in order to accept the credited funds from the South Dakota Retirement System. This authority will remain in effect until I notify you in writing, in a timely manner, to cancel it. Type of Account: <input type="checkbox"/> Checking <input type="checkbox"/> Savings <b>l</b> <input type="checkbox"/> No, I do not wish to use direct deposit				
Member's Signature				
Signature <b>m</b>				Date

\*Retirement benefits may not be paid unless your employment was unconditionally terminated.



## Instructions for Completing Form B-2

### Applying for SDRS Retirement Benefits

- a. Members giving their Social Security number from memory often make mistakes. Ask them to consult their cards or check the original E-1 form.
- b. This must be legible to be usable.
- c. This must be a complete mailing address including a street and/or box number.
- d. List agency, not supervisor.
- e. Last day member will work. This date should be the exact date you anticipate the member will end employment.
- f. Members will not receive retirement benefits if they have not unconditionally terminated employment and/or have not been rehired in an open competitive process.
- g. This cannot be a month in which member makes contributions.
- h. Member enters month, day and year of birth here.
- i. Ask member to consult spouse's Social Security card.
- j. Member enters month, day and year of spouse's birth here.
- k. Member enters month, day and year of marriage here.
- l. Member choosing Direct Deposit must attach voided check to this form.
- m. Member must sign and date form here.



**Applying for SDRS Survivor Benefit**  
South Dakota Retirement System  
**PO Box 1098 Pierre, South Dakota 57501-1098**  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form B-3**

**Information About the Deceased Member (Please Print or Type All Items)**

**a**

Member's Social Security Number	Last Name	First	Middle Initial	Maiden
Date of Death (Attach <b>Copy</b> of Death Certificate)		Date of Birth of Deceased		

**Applicant Information (If Applicant is Spouse, Attach a **Copy** of Marriage Certificate)**

Social Security Number	Last Name	First	Middle Initial	Maiden
Relationship to Member	Street Address or PO Box	City	State	ZIP Code
Applicant's Date of Birth (Attach a <b>Copy</b> of Birth Certificate)		Date of Marriage (If Applicant is Spouse of Deceased)		

**Dependent Children Information (See Directions and Conditions regarding dependent children below)**

Child's Social Security Number	Name of Child	Date of Birth (Attach a <b>Copy</b> of Birth Certificate)

**Directions and Conditions**

\*Child or children,\* as defined in SDCL 3-12-47 (14), are the member's unmarried dependent children who have not passed their eighteenth birthday, and each unmarried dependent child who is totally and permanently disabled, either physically or mentally, regardless of such child's age provided the disability occurred prior to age eighteen. It includes stepchildren and foster children who depend on the member for support and live in the household of the member in a regular parent-child relationship. It also includes any child of the member conceived during his lifetime and born after his death.

Under the South Dakota Uniform Transfers to Minors Act, SDRS cannot make payments directly to minor children. Instead, payment must be made to a conservator or a custodian on behalf of the child.

**Conservator or Custodian's Signature**

Signature	Date
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**Applicant's Signature**

Signature	Date
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## **Instructions for Completing Form B-3**

### **Applying for SDRS Survivor Benefit**

- a. Applicant receives this form directly from SDRS, fills it out and returns it to SDRS. The applicant should contact SDRS and ask that this form be sent.



**Applying for an SDRS Refund Benefit**  
South Dakota Retirement System  
PO Box 1098 Pierre, South Dakota 57501-1098  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form B-4**

Member Information (Please Print or Type All Items) <b>a</b>				
Member's Social Security Number	Last Name	First Name	Middle Initial	Maiden
Telephone	Street Address or PO Box	City	State	Zip Code
Job Information (Name of Prior Employer)				
Name of Employer		Date Employment Ended: Month / Day / Year		
Alternate Mailing Address (If different from above)				
Street Address or PO Box		City	State	Zip
Type of Refund Benefit				
<p>You have three options for the distribution of your SDRS refund. Each option has important tax implications. Please read the enclosed IRS notice before you make your selection. You may also wish to consult a tax advisor. Check one of the boxes to indicate your choice:</p> <p><input type="checkbox"/> A. Direct Rollover of All Eligible Funds to a Qualified Retirement Plan or IRA. Pay all eligible proceeds to the financial institution listed below.</p> <p><input type="checkbox"/> B. Direct Rollover of Some Eligible Funds to a Qualified Retirement Plan or IRA. Pay \$_____ of the eligible proceeds to me, with the remaining balance to be paid to the financial institution listed below. Twenty percent of the taxable portion paid to me will be withheld for income tax purposes.</p> <p><input type="checkbox"/> C. Direct Payment to Member. Pay all eligible proceeds to me. Twenty percent of taxable amount will be withheld for income tax purposes.</p>				
Direct Rollover (If you checked A or B above, you must complete this section)				
<p>Check one of the following and provide the name, address and account number of your financial institution.</p> <p><input type="checkbox"/> Rollover to be made to an eligible IRA that will accept a direct rollover.</p> <p><input type="checkbox"/> Rollover to be made to an eligible 401(a), 403(a), or 401(k) retirement plan that will accept a direct rollover.</p>				
Name of Financial Institution			Account Number	
Street Address or PO Box		City	State	Zip
Member's Signature				
<p>I hereby apply for a refund of my accumulated contributions to SDRS and direct that my refund payment be made as shown above. I acknowledge receipt of a copy of the SDRS Refund Packet, which includes a refund explanation, Personal Benefits Statement, SDRS Refund Form B-4 and the IRS Tax Notice Regarding SDRS Refunds. I understand that by withdrawing my accumulated contributions I forfeit any and all SDRS benefits, including any further improvements to forfeited benefits.</p>				
Signature			Date	
Spouse's Signature				
<p>I understand that my spouse's withdrawal of his or her accumulated contributions to SDRS means that I will receive no survivor benefits of any kind from SDRS.</p>				
Signature			Date	

## **Instructions for Completing Form B-4**

### **Applying for an SDRS Refund Benefit**

- a. Member receives this form directly from SDRS, fills it out and returns it to SDRS.  
The member should contact SDRS and ask that this form be sent.



## Applying for an SDRS Survivor Refund

South Dakota Retirement System

PO Box 1098 Pierre, South Dakota 57501-1098

Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form B-5**

### Member Information (Please Print or Type All Items)

**a**

Member's Social Security Number	Last Name	First Name	Middle Initial	Maiden
Date of Death ( Attach a <i>Copy</i> of Death Certificate)		Date of Birth of Deceased		

### Applicant Information (If Applicant is Spouse, Attach a *Copy* of Marriage Certificate)

Social Security Number	Last Name	First Name	Middle Initial	Maiden
Relationship to Member	Street Address or PO Box	City	State	Zip Code
Applicant's Date of Birth (Attach a <i>Copy</i> of Birth Certificate)		Date of Marriage (If Applicant is Spouse of Deceased)		

### Type of Refund Payment

You have three options for the distribution of your SDRS refund. Each option has important tax implications. Please read the enclosed IRS notice before you make your selection. You may also wish to consult a tax advisor. Check one of the boxes to indicate your choice:

- ☐ A. Direct Payment to Applicant. Twenty percent of taxable amount will be withheld for income tax purposes.
- ☐ B. Direct Rollover of all Eligible Funds to a Qualified Retirement Plan or IRA. Pay all eligible proceeds to the financial institution listed below.
- ☐ C. Direct Rollover of Some Eligible Funds to a Qualified Retirement Plan or IRA. Pay \$\_\_\_\_\_ of the eligible proceeds to me, with the remaining balance to be paid to the financial institution listed below. Twenty percent of the taxable portion paid to me will be withheld for income tax purposes.

### Direct Rollover (If you checked B or C above, you must complete this section)

Check one of the following and provide the name, address and account number of your financial institution.

- ☐ Rollover to be made to an eligible IRA that will accept a direct rollover.
- ☐ Rollover to be made to an eligible 401(a), 403(a), or 401(k) retirement plan that will accept a direct rollover.

Name of Financial Institution	Account Number
Street Address or PO Box	City State Zip

### Applicant's Signature

I hereby apply for a refund of the accumulated contributions credited to the above-named deceased member. I acknowledge receipt of a copy of the IRS Tax Notice Regarding SDRS Refunds, and I direct that my refund payment be made as shown above.

Signature	Date
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## **Instructions for Completing Form B-5**

### **Applying for SDRS Survivor Refund**

- a. Applicant receives this form directly from SDRS, fills it out and returns it to SDRS. The applicant should contact SDRS and ask that this form be sent.



**Applying for SDRS Beneficiary Refund**  
South Dakota Retirement System  
PO Box 1098 Pierre, South Dakota 57501-1098  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form B-5b**

**a**

**Information About the Deceased Member (Please Print or Type All Items)**

Social Security Number	Last Name	First	Middle Initial	Maiden
Date of Death (Attach a <i>Copy</i> of Death Certificate)		Date of Birth of Deceased		

**Applicant Information**

Social Security Number (Or TIN if applicable)	Last Name	First	Middle Initial	Maiden
Relationship to Member	Street Address or PO Box	City	State	ZIP Code
Telephone	Applicant's Date of Birth (Attach a <i>Copy</i> of Birth Certificate)			

**Refund Payment Information**

Enclosed is the IRS Tax Notice Regarding SDRS Refunds. While this notice reviews several payment options, please note that a direct payment is the only option available to you for the distribution of your SDRS refund. Ten percent of the taxable amount will be withheld for income tax purposes. (If payment is made to an estate or trust, no tax will be withheld.) You may wish to consult a tax advisor regarding this payment.

**Applicant's Signature**

I hereby apply for a refund of the accumulated contributions credited to the above-named deceased member. I acknowledge receipt of a copy of the IRS Tax Notice Regarding SDRS Refunds, and I understand that a direct payment will be made to me.

Signature	Date
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## **Instructions for Completing Form B-5b**

### **Applying for SDRS Survivor Refund**

- a. Applicant receives this form directly from SDRS, fills it out and returns it to SDRS. The applicant should contact SDRS and ask that this form be sent.



## Authorization for Direct Deposit of Benefit Payments

South Dakota Retirement System  
PO Box 1098 Pierre, South Dakota 57501-1098  
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form B-6**

### Benefit Recipient Information (Please Print or Type All Items)

Social Security Number <b>a</b>	Last Name <b>b</b>	First	Middle Initial	Maiden
Telephone (   )	Street Address or PO Box <b>c</b>	City	State	ZIP Code

### Authorization for Direct Deposit of Benefit Payments

☐ Yes, I authorize the South Dakota Retirement System to credit my benefit payments directly to my bank account as indicated on the attached voided check. I also authorize the financial institution named to initiate the credit/debit process for my account, in order to accept the credited funds from the South Dakota Retirement System. This authority will remain in effect until I notify you in writing, in a timely manner to cancel it.

Type of Account:    ☐ Checking    ☐ Savings

### For Your Information

The Electronic Direct Deposit program will begin by electronically depositing your SDRS benefit payment into your account on the 15<sup>th</sup> of the month. This process will continue each month thereafter.

### Benefit Recipient's Signature

Signature <b>d</b>	Date
-----------------------	------

**e**

**Attach voided check here**

## **Instructions for Completing Form B-6**

### **Authorization for Direct Deposit of Benefit Payments**

- a. Individuals giving their Social Security number from memory often make mistakes. Ask them to consult their cards.
- b. This must be legible to be usable.
- c. This must be a complete mailing address including a street and/or box number.
- d. Benefit recipient must sign and date form here.
- e. Benefit recipient must staple or tape a voided check here.



# **Application for SDRS Disability Benefits** South Dakota Retirement System PO Box 1098 Pierre, South Dakota 57501-1098 Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

If you need more space throughout, attach additional sheets

**SDRS Form D-1**

**Member's Statement (Please Print or Type All Items – Attach copy of birth certificate)**

Member's Social Security Number <b>a</b>	Last Name <b>b</b>	First	MI	Maiden <b>c</b>	Date of Birth
Telephone	Street Address or PO Box <b>d</b>	City	State	Zip Code	

**Spouse Information**

Spouse's Social Security Number <b>e</b>	Last Name	First Name	Middle Initial	Date of Birth <b>f</b>
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**Dependent Children Information (See back for Directions and Conditions regarding dependent children)**

Social Security Number <b>g</b>	Name of Child	Date of Birth <b>h</b>

**Incident Information**

Name of Participating Unit (Employer)		Position
Date of Accident or Date Illness Began	Last Day Worked	Nature of Illness or Injury
If Injured, how and where did accident happen?		
If Illness, when were you first troubled with this disease?	When did you first contact a physician?	Where?
Are you disabled from working at the present time? <input type="checkbox"/> YES <input type="checkbox"/> NO	If No, list date disability ended	
Names and Addresses of All Physicians Consulted and Hospitals Where You Were Treated (If You Need More Space, Attach Additional Sheets)		
Name	Street Address	City and State

**Member's Signature**

Signature <b>i</b>	Date
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## **Instructions for Completing Form D-1**

### **Application for SDRS Disability Benefits**

- a. Applicants giving their Social Security number from memory often make mistakes. Ask them to consult their cards.
- b. This must be legible to be usable.
- c. Member enters month, day and year of birth here.
- d. This must be a complete mailing address including a street and/or box number.
- e. Ask member to consult spouse's Social Security card before entering this number.
- f. Member enters month, day and year of spouse's birth here.
- g. Ask member to consult each child's Social Security card before entering the number.
- h. Member enters month, day and year of child's birth here.
- i. Member must sign and date form here for it to be valid.



South Dakota Retirement System  
 PO Box 1098 Pierre, South Dakota 57501-1098  
 Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

## Physician's Evaluation

If you need more space throughout, attach additional sheets

**SDRS Form D-2**

Patient Information					
Patient's Social Security Number <b>a</b>	Last Name <b>b</b>	First	M I	Maiden	Date of Birth <b>c</b>
Telephone	Street Address or PO Box <b>d</b>	City	State	Zip Code	
Physician's Evaluation – To Be Completed by Attending Physician <b>e</b>					
Diagnosis					
Complicating Conditions – Primary Limitations or Restrictions					
Under what conditions or with what accommodations, if any, could this patient perform his or her usual duties?					
Dates of Patient's Disability FROM THROUGH			Date You Last Examined Patient		
In your opinion, is this patient now able to return to his or her usual duties? <input type="checkbox"/> YES <input type="checkbox"/> NO			Could the patient perform (please mark all that apply)		
In your opinion, will this patient be able to perform his or her usual duties within 12 months? <input type="checkbox"/> YES <input type="checkbox"/> NO			Sedentary Work <input type="checkbox"/> YES <input type="checkbox"/> NO		
<b>NOTE: To make a determination of disability, we must review all of your patient's medical records. Please submit copies with this form.</b>  (Any cost associated with photocopying records is the responsibility of the patient).			Light Work <input type="checkbox"/> YES <input type="checkbox"/> NO		
			Moderate Work <input type="checkbox"/> YES <input type="checkbox"/> NO		
			Heavy Work <input type="checkbox"/> YES <input type="checkbox"/> NO		
			If the condition is due to injury or sickness <input type="checkbox"/> YES		If the condition is due to self-inflicted injury, <input type="checkbox"/> YES check here.
<b>Physician's Signature</b> Physician's Name (Print or Type) Physician's Specialty					
Telephone	Street Address or PO Box	City	State	Zip Code	
Physician's Signature					Date

## Instructions for Completing Form D-2

### Physician's Evaluation

- a. Applicants giving their Social Security number from memory often make mistakes. Members should consult their Social Security card.
- b. This must be legible to be usable.
- c. Applicant enters month, day and year of birth here.
- d. This must be a complete mailing address, including a street and/or box number.
- e. Physician fills out rest of form.



## Authorization for Release of Employer Information

South Dakota Retirement System

PO Box 1098 Pierre, South Dakota 57501-1098

Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form D-3**

### Member Information (Please Print or Type All Items)

Member's Social Security Number <b>a</b>	Last Name <b>b</b>	First Name	Middle Initial
Telephone	Street Address or PO Box <b>c</b>	City	State Zip Code

### Authorization for Release of Employer Information

To any participating unit and its representatives:

I authorize the South Dakota Retirement System and its representatives to obtain a copy of all records pertaining to my employment, including time sheets, performance evaluations and all other personnel records. I hereby waive any right of confidentiality and any right against any person or organization providing such copies.

I further certify that SDRS may use this authorization to gather information to evaluate my disability application and ongoing disability benefits. **This form may be used by SDRS for five years from the date of the signature shown below.**

A copy of this authorization shall be considered as effective and valid as an original.

### Member's Signature

Signature * <b>d</b>	Date
Capacity to sign for the member	

\*If Authorization is signed by someone other than the Member, that person must indicate his or her capacity to sign for the Member and must attach documentation confirming that the person is the Member's representative (durable power of attorney, court order, guardianship papers, conservatorship papers, etc.).



## **Instructions for Completing Form D-3**

### **Authorization for Release of Employer Information**

- a. Applicants giving their Social Security number from memory often make mistakes. Members should consult their Social Security card.
- b. This must be legible to be usable.
- c. This must be a complete mailing address, including a street and/or box number.
- d. Member must sign and date form here for it to be valid.



## Authorization for Release of Medical Information

South Dakota Retirement System

PO Box 1098 Pierre, South Dakota 57501-1098

Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

**SDRS Form D-4**

### Member Information (Please Print or Type All Items)

Member's Social Security Number <b>a</b>	Last Name <b>b</b>	First Name	Middle Initial
Telephone	Street Address or PO Box <b>c</b>	City	State Zip Code

### Authorization for Release of Medical Information

To \_\_\_\_\_ (medical provider or agency with access to medical records) and his/her/its representatives:

Pursuant to 45 CFR § 164.512(d)(2), I hereby authorize the above-named medical provider or agency and his/her/its representatives to release to the South Dakota Retirement System and its representatives copies of any medical records pertaining to my medical history, treatments and examinations, including psychiatric care and any treatment for drug or alcohol abuse, to the extent that those records pertain to my application for or receipt of SDRS disability benefits due to \_\_\_\_\_ (medical condition leading to my claim for disability benefits). Such medical records are necessary to pursue such claim for disability benefits pursuant to SDCL 3-12-98 and ARSD ch. 62:01:04, or to continue such benefits pursuant to ARSD ch. 62:01:04. This authorization shall continue in full force and effect until \_\_\_\_\_ (date).

However, I understand that I may revoke this authorization at any time by delivering such revocation in writing to the above-named medical provider or agency, with the full understanding that such revocation could jeopardize my ability to receive SDRS disability benefits.

I understand that such medical records shall be held by SDRS in complete confidence, unless such records become part of a legal process of administrative appeal.

I hereby waive any right of confidentiality and any claim for breach of confidentiality as such right or claim might relate to the medical records released hereunder.

I further hereby certify that SDRS may use this authorization to communicate with the above-named medical provider or agency to gather information to evaluate my disability application and ongoing disability benefits.

A copy of this authorization shall be considered as effective and valid as an original.

### Member's Signature

Signature * <b>d</b>	Date
Capacity to Sign for the Member	

\* If Authorization is signed by someone other than the Member, that person must indicate his or her capacity to sign for the Member and must attach documentation confirming that the person is the Member's representative (durable power of attorney, court order, guardianship papers, conservatorship papers, etc.).

## **Instructions for Completing Form D-4**

### **Authorization for Release of Medical Information**

- a. Applicants giving their Social Security number from memory often make mistakes. Members should consult their Social Security card.
- b. This must be legible to be usable.
- c. This must be a complete mailing address, including a street and/or box number.
- d. Member must sign and date form here for it to be valid.



One of your most important responsibilities as an authorized agent is to help keep your members informed. Knowing where to find the correct information makes that task easier and more efficient. The following list indicates which SDRS publications you should have on hand for reference and which for distribution to members. Other publications are only available directly from SDRS and you should advise your members to download them from the SDRS Web site or to request them from the Pierre office.

## **Publications for Authorized Agents**

*A Manual for Authorized Agents of the South Dakota Retirement System  
UpDate*

## **Publications for Members**

### **Distributed by Authorized Agents**

*A Statement of Principles and Directions for the Plan Design of SDRS  
Historical Highlights of the South Dakota Retirement System  
Income for Your Retirement: Class A  
Income for Your Retirement: Class B Judicial  
Income for Your Retirement: Class B Public Safety  
Information for Elected Officials  
SDRS Comprehensive Annual Financial Report  
SDRS Supplemental Retirement Plan  
South Dakota Retirement System Law*

### **Distributed by SDRS**

*Disability Brochure  
Quick Reference Guides  
Outlook  
Protection for Your Survivors*



Your duties as an authorized agent include submitting monthly reports to SDRS of members' compensation and contributions, as well as depositing the contributions made by members and your employer. These duties are among the most important elements of your job as authorized agent. This chapter outlines the required contributions and discusses the kinds of compensation that must be reported. It also explains how to complete the Monthly Contribution Report and tells you when reports and contributions are due.

## **Member Contributions**

### **Who Contributes to SDRS?**

You must report all compensation and contributions of employees in permanent classifications who are employed by your unit for at least 20 hours per week and at least six months per year. In addition, you must report the compensation and contributions of elected officials who have chosen to participate in SDRS.

All certified teachers employed by a public school district who have been placed in a permanent full-time classification must participate in SDRS, even if they are employed in a non-teaching position (e.g., certified teachers working in the school business office).

For answers to specific questions about participation, see the chapter "Eligibility and Participation,".

### **Classifications and Retirement Contribution Rates**

Each member who begins SDRS participation must be placed in an employee classification. You will use that classification's code number in reporting the member's compensation and percentage of compensation deducted each month as the normal retirement contribution.

The chart at the top of the following page shows the SDRS employee classifications, the code number, and the normal retirement contribution rate (employee deduction) for each classification.

# Employer Reporting

## Employee Classifications

Code	Description Type	Employee Percent of Earnings
01	Judges, Justices and Magistrate Judges	9%
02	State Law Enforcement Officers	8%
03	Teachers	6%
04	Board of Regents (non-certified)	6%
05	State Agencies, Boards and Commissions	6%
07	Board of Regents (Professional and Administrative)	6%
08	School District (non-certified), Chartered Governmental Units and Public Corporations	6%
09	Municipal General	6%
10	Municipal Law Enforcement and Firefighters	8%
11	County General	6%
12	County Law Enforcement	8%
13	State Penitentiary Guards, Conservation Officers and Park Rangers	8%

All members paying the 6 percent contribution rate have Class A credited service and make up 95 percent of the SDRS membership. Members with Class B Public Safety credited service contribute 8 percent of their compensation. Due to the stressful, physical nature of their job of protecting the public, their careers are necessarily shorter than those of other members. The higher contribution rate enables their benefits to be funded in a shorter time and allows them to retire at an earlier age. Members with Class B Judicial credited service pay 9 percent of their compensation. Because they historically have begun their careers as judges, justices and magistrate judges at a relatively older age, this rate allows their benefits to be funded prior to their retirement.

## Optional Member Contributions

You may need to report two optional member contributions:

- contributions for optional spouse coverage
- payments for purchase of prior service credit

## Optional Spouse Coverage

Members who have chosen the optional spouse coverage will have an additional 1.2 percent deducted from their compensation. This amount is NOT to be matched by the employer, is NOT tax-deferred and is nonrefundable.

## Prior Service Credit Purchase Payments

If your unit is a standard purchase plan unit, payroll deductions for purchases of prior service credit are possible if your employer permits. This amount is NOT tax-deferred. That is, it must be deducted from a member's after-tax compensation after withholding for federal income taxes.



If your unit is enrolled in the tax-efficient purchase plan, members must make their purchases of prior service credit with pre-tax dollars deducted from their salaries. The amount must be deducted from their compensation prior to withholding for federal income tax.

## Employer Contributions

The employer matches the normal retirement contribution for each participating member. These matching amounts must be reported each month on the Monthly Retirement Contribution Report. (The contributions for state employees are automatically transmitted bi-weekly.) The normal retirement deduction is the ONLY deduction that the employer matches.

However, the 2002 Legislature made a change to South Dakota's retirement laws that requires SDRS member units to make additional employer contributions for employees earning more than the Social Security maximum for each year. The additional contribution will fully cover the cost of the Class A Alternate Formula multiplier. The change applies only to participating units who have Class A members earning an annual salary over the Social Security maximum.

Effective July 1, 2002, employers are required to contribute an additional 6.2 percent of any member's compensation that exceeds the maximum taxable amount for Social Security for the calendar year.

## Compensation That Must Be Reported

The term "compensation," as used by SDRS, means the same as "wages" as defined in the Social Security Act. Compensation includes all payments for services rendered by an employee. All earnings and wages, salaries, fees and wages-in-kind must be reported regardless of the source of the funds. If your unit has the final authority to hire, direct and fire the employee, that employee's compensation must be reported, even if it is funded by another entity (for example, the federal government).

Besides the employee's regular salary, examples of other compensation include the following:

- **Overtime pay**
- **Vacation pay and Sick pay**  
Normal annual leave (vacation) and sick leave pay is compensation subject to SDRS contributions.

- **Back pay**

Back pay is the payment to a current or former employee for services performed in an earlier period. It must be reported at the time it is paid.

Back pay includes the payment an employee receives after successfully suing an employer under federal or state laws that create or protect employment relationships and rights to wages. For example, if an employee, unlawfully discharged because of age discrimination, wins his or her court case, the payment of wages dating back to the time of discharge is back pay and is considered compensation to the employee.

Back pay due to a retroactive wage increase, union contract arbitration award or other basis, without an award or sanction by a court or administrative agency, is considered SDRS compensation and should be reported when paid.

- **Longevity pay**

- **Wages-in-kind**

The value of meals and lodging furnished to an employee is considered SDRS compensation if it is included on the employee's W-2 form as taxable income. However, if travel, meals or lodging expenses are reimbursed to an employee, the cash reimbursements are not considered SDRS compensation. See the definition of wages-in-kind in the Appendix.

- **Compensation paid after death**

Compensation paid to a deceased employee's survivor or estate is to be reported as compensation paid to the deceased employee.

- **Tax-sheltered annuities**

If part of an employee's compensation is applied to a tax-sheltered annuity, the total compensation, including the amount applied to the tax-sheltered annuity, is considered SDRS compensation.

## Payments Not Considered SDRS Compensation

The following items are NOT considered SDRS compensation and are not reported as such:

- **Unused Sick and Annual Leave Pay**  
A lump-sum payout of accumulated sick and annual leave hours is not considered SDRS compensation. Effective July 1, 2004, the definition of compensation was changed in SDRS law to exclude money that terminating employees receive for lump-sum payouts of unused sick or annual leave. Because SDRS contributions are due only on compensation as defined in SDCL 3-12-47 (20), no contributions are collected from either the employee or the employer on these final sick and annual leave payouts.
- **Expense reimbursement and allowances**  
Travel and business expense payments are not considered SDRS compensation if the employer can verify, by expense vouchers or reports, that the amounts were reimbursement for ordinary and necessary expenses actually or reasonably expected to be incurred by the employee or official while performing the employer's business.
- **Allowance for moving expenses**  
Payments to employees as reimbursements for moving expenses are not considered SDRS compensation. Moving expenses include only the reasonable expense of moving the household goods and personal effects of the employee and household members from their former residence to their new residence.
- **Worker's Compensation payments**  
Payments made to an employee under the Worker's Compensation or Occupational Disease acts for accidental injuries or occupational disease suffered in the course of employment are not considered SDRS compensation.
- **Employee benefit payments**  
Payments for insurance coverage or other employee benefits by an employer on behalf of an employee or an employee and dependents are not considered SDRS compensation. Employee-paid premiums for dependent care are considered SDRS compensation.
- **Payments based on retirement**  
Payments made, whether lump-sum or over a period of time, based on an employee's retirement or agreement to retire in the future are not considered SDRS compensation.

- **Payments based on agreement to terminate employment**

Payments made, whether lump-sum or over a period of time, based on an employee's agreement to terminate employment at a specified time in the future are not considered SDRS compensation.

## **Spiking Retirement Benefits**

Payments for any of the above items are not considered compensation for the purposes of SDRS contributions, which means they cannot be used to increase a member's lifetime retirement benefit. Including any of these payments as part of a member's final average salary results in an artificially inflated, or spiked benefit. Because SDRS does not receive contributions to fund a spiked benefit, it is paid for by other members of the system. A member's retirement benefit may only be legally increased by the following:

- a legislative increase in the benefit multiplier
- an increase in the member's final average salary
- an increase in the member's years of credited service

Intentionally raising retirement benefits by any other means is not permitted under the laws governing SDRS.

## **Specific Questions Relating to Teaching**

Teaching compensation includes all payments made for teaching and supervising students, overseeing student activities, and other assignments that are part of the total education program. They include the following and are considered SDRS compensation:

- all compensation paid under a teaching contract
- compensation paid for coaching
- compensation paid for after-school and Saturday teaching, such as drivers education
- compensation paid for supervision of cafeteria, lunchrooms, playground, school bus driving, etc.
- compensation paid for counseling and supervising student clubs and organizations and other student extracurricular activities
- compensation paid for chaperoning student trips, dances and other student activities and events
- compensation paid for working at school events, such as athletic contests, drama or music performances, etc.
- compensation for pre-term orientation, workshop and curriculum planning (if part of the school-term contract)
- compensation of school administrators, including compensation as board secretary, treasurer, clerk, etc.
- compensation paid for summer-school work, if it is part of a separate contractual agreement

## Leave of Absence

Each year a number of SDRS members take an employer-approved leave of absence. Some leaves are without pay, while others require the employer to pay the member a portion of salary or some type of stipend.

### Leave Without Pay

If an employer approves a leave without pay for a member, the member must decide whether to continue retirement contributions during the leave. The member has two options:

#### Option One

The member may make both the employer and member contributions. The amount will be determined by multiplying the appropriate rate — 12 percent for Class A credited service, 16 percent for Class B Public Safety credited service, or 18 percent for Class B Judicial credited service — times the member's annual rate of pay just prior to the leave.

Members who elect to continue contributions will accrue credited service during the leave, and death and disability benefits will continue. Contributions must be sent to the system at least monthly.

#### Option Two

The member may elect to make no contributions during the leave of absence.

Members who elect to make no contributions during the leave period will not accrue credited service during that time. In addition, **disability and death coverage will not continue** if contributions are not made. In other words, if the member becomes disabled during the leave period, he or she will not be eligible for disability benefits. If the member dies, the family will not be entitled to death benefits (other than a withdrawal of the member's accumulated contributions).

When a member who elected not to make contributions during the leave period returns to SDRS-covered employment, he or she may purchase credited service for the period spent on employer-approved leave of absence.

### Leave With Pay or Stipend

Employer-approved leaves of absence during which the member receives some type of remuneration include sabbatical leave for higher education employees and education leave available to certain state employees. A member who is approved for a leave of absence that carries with it some remuneration has the same options regarding continuation of contributions as the member on leave without pay.

## Employer Reporting

If the member chooses to continue SDRS membership and coverage during the leave period, contributions must be paid on the amount of the **full salary** paid to the member immediately prior to the leave and NOT on the amount paid during the leave period. Employers and members must work out the details of who will pay the contributions.

### Example

A member is approved for a one-year educational leave of absence. Prior to the leave, the member was earning \$24,000 per year. While on educational leave, the member will receive a stipend totaling \$12,000 for the year. To continue membership and coverages with SDRS during this leave of absence, the member must make both the member and employer contributions on the \$24,000 salary that was paid immediately prior to the leave.

### Leave Following an On-the-Job Injury

Occasionally, a member is granted a leave-of-absence following an on-the-job injury. Members on such employer-approved leave may continue to receive credited service in SDRS by making both the employer and member contributions throughout the leave, thereby maintaining disability and survivor coverage. The level of these contributions is based upon the member's rate of compensation immediately prior to the leave.

When a member takes leave following an on-the-job injury, he or she usually collects Worker's Compensation. Worker's Compensation payments are specifically excluded from compensation for SDRS purposes, and therefore, no contributions are made on those payments. Worker's Compensation pays an amount equal to two-thirds of a member's salary and some employers provide the other third. Because contributions to SDRS prior to the leave were based on the salary paid by the employer, employers and members sometimes erroneously conclude that contributions during a leave are based on the employer's one-third share. This is not the case, however. The member must make contributions based on the full salary paid by the employer just prior to the leave.

## **Military Leave of Absence**

SDCL 3-12-86 states:

A member shall receive credited service for leave of absence due to military service, authorized in advance by the employer, without contribution by the employee or employer if the member returns to the employ of a participating unit within one year from the member's date of discharge from the member's initial period of active military service and if the member remains in the employ of a participating unit for at least one year. The member may not receive credit for any voluntary extension of military service at the instance of the member beyond the initial period of enlistment, induction or call to active duty. No credited service granted under this section may be considered to represent either member contributions or employer contributions for purposes of contribution withdrawals pursuant to this chapter.

## Preparing the Monthly Retirement Contribution Report

Participating units of SDRS are required to deposit contributions monthly. There are three (3) different monthly contribution reporting methods available to you to compute and transmit the contributions due for each member.

1. Paper Method Report—Form 3.11B (Monthly Retirement Contribution Report).

### Form 3.11B

SDRS will provide pre-printed 3.11B forms (using the information you submitted the previous month) for reporting contributions. With this method, only changes from the previous month's data need to be noted. Space is provided at the end of the report for adding new members. Information on the reverse side of the form explains member classifications, member status and contribution rates used in completing the form.

### Recap Report

In addition to the Monthly Retirement Contribution Report (3.11B), you must complete and mail a Retirement Contribution Recap Report each month with the check(s) to the Sioux Falls Remittance Center. The Recap Report assists the Remittance Center staff in ensuring that the checks are credited to the correct account. This is particularly important, because participating units reporting on diskette or tape are not required to submit a hard copy of the Monthly Retirement Contribution Report. The Recap Report also serves as a record of payments made.

2. Diskette Report Method

### Diskette

The data required on Form 3.11B can be submitted by diskette. If you wish to use this method, please inform SDRS staff. They will advise if your reporting capabilities are compatible with the SDRS computer system and notify you of the data file requirements.



3. **Electronic Contribution Report Method (Preferred Method)**  
Currently there are two methods for transmitting contribution reports electronically. Using either method eliminates paper reports and the time and cost that mailing entails. For employers that have been returning reports on disk, it also saves re-entering employee information and dismisses the risk of damage to the disk in shipping.

### **Download Method**

The first method requires downloading a simple, easy-to-use program from the SDRS Web site. The program consists of a contribution report form that saves member information – names, addresses, Social Security numbers – from month to month. Then each pay period, the employer enters its member's gross wages and SDRS contributions and sends the form to SDRS with a single click of the mouse.

To use:

Log On: [www.sdrs.sd.gov](http://www.sdrs.sd.gov)

Click On: Employer Contribution Reporting Login

Log In: Employer Log-In Password Required - which will take you to the Welcome Page

Click On: Continue

Scroll: To Download (middle of page)

Click On: Download

Click On: Edit Contribution Report

Use this report to edit employee wages, SDRS contributions and optional Spouse contributions. You can add new employees or remove terminated employees. Once you have input all current data, click on *Save* and you will receive a confirmation message that your updates have been saved. At this point the system also produces the required Recap Report. Click on *Create/Print Recap Report* and insert the payment date and payment method. Then print a copy of the Recap Report for your records and click *Exit*. The next step is to send the contribution report to SDRS – make sure you are connected to the internet and click *Send Contribution Report*. You will receive a confirmation from SDRS that the contribution report has been received.

# Employer Reporting

## Upload Method

The second method requires uploading and is used by employers that prepare their reports within a payroll program.

To use:

Log On: [www.sdrs.sd.gov](http://www.sdrs.sd.gov)

Click On: Employer Contribution Reporting Login

Log In: Employer Log-In Password Required – which will take you to the Welcome Page

Click On: Continue

Click on *Browse* and locate the file you wish to upload – click the file name and *Open*. When the name of the file appears click *Upload* and the file will be uploaded to SDRS. You will receive a confirmation from SDRS that the contribution report has been received. This method allows an employer to upload their Recap Report – just click on *Browse* to locate and follow the same process as stated above.

***Please feel free to contact the SDRS office for any assistance you may required.***

## Deposit Due Date

It is your responsibility to sign and mail the Monthly Retirement Contribution Report, with the check(s) equaling the amount to be deposited, in time for them to reach the Sioux Falls Remittance Center on or before the fifteenth day following the payroll month. If your unit reports by magnetic tape, you must send the tape to SDRS in Pierre and the check(s) to the Sioux Falls Remittance Center. However, SDRS strongly encourages all agents to submit these reports as soon as possible after the last day of the payroll month. Early reporting makes it possible to correct errors and omissions before the deadline date.

If all payments for the fiscal year are not reported and transmitted with the June Contribution Report by July 15, interest and penalties will be assessed on the delinquent amount.

In your absence, the person authorized to sign the report should affix your name as authorized agent, add “by” and sign his or her own name.

**Recap Report  
on next page**

**SOUTH DAKOTA RETIREMENT SYSTEM**  
**(605) 773-3731**  
**FAX (605) 773-3949**  
**RETIREMENT CONTRIBUTION RECAP REPORT**

**EMPLOYER NAME:**

**EMPLOYER NUMBER:**

**a**

**BILLING MONTH AND YEAR**

**b**

**TOTAL EARNINGS PAID THIS MONTH:**

**\$**

---

1. Total Employee Retirement Contributions	\$	
2. Total Optional Spouse Contributions	\$	
3. Total Prior Service Purchase (If not listed on report please include a list of names, SS numbers and purchase amounts.)	\$	<b>c</b>
4. Total Employee Prior Report Corrections (As per Attached Statement of Explanation)	\$	
5. Total Employee Contributions (Add Lines 1, 2, 3 & 4)	\$	
6. Total Employer Matching Contributions (Enter Total of Line 1)	\$	
7. Employer Deficiency Payment	\$	<b>d</b>
8. Total Employer Prior Report Corrections (As Per Attached Statement of Explanation)	\$	<b>e</b>
9. Total Employer Contributions (Add Lines 6, 7 & 8)	\$	
10. Total Amount Due This Report (Add lines 5 & 9)	\$	
11. Payment Method and Date		
Method:		
Date:		

**\*TOTAL AMOUNT OF CHECK(S) REMITTED MUST EQUAL LINE 10 AMOUNT**

I hereby certify and warrant that to the best of my knowledge the information recorded above is true and correct.

\_\_\_\_\_  
Signature of Authorized Agent

\_\_\_\_\_  
Date

\_\_\_\_\_  
Telephone Number

**PLEASE MAIL THIS RECAP REPORT ALONG WITH YOUR CHECK MADE PAYABLE TO THE SOUTH DAKOTA RETIREMENT SYSTEM TO:**

**SOUTH DAKOTA RETIREMENT SYSTEM**  
**BOX 5055**  
**SIOUX FALLS, SD 57117-5055**

## Annotations to Recap Report

A sample report is provided to illustrate how the form is to be completed.

- a. Enter the employer number assigned by SDRS here. If your unit reports on diskette or tape, please include a leading zero.
- b. Enter the month and year wages are **paid** here. Reporting the month in which wages were earned is a common error.
- c. Enter total amount of payments made by employees who are purchasing prior service credit. Include purchase amounts set up as payroll deductions and personal check amounts included with your remittance.
- d. If your employer is making monthly payments for prior service credit for employees, enter that amount here. (This situation usually occurs when a new group enters the system and the employer purchases prior service for all employees.) Entering report corrections on this line is a common error.
- e. If you have found an error in employer contributions in a previous month's reporting, enter the amount that should be paid or deducted in order to correct your account. Attach an explanation of your calculation.



# Personal Benefits Statement

Each year SDRS prepares a Personal Benefits Statement for all active contributing members. In addition, members who no longer work for a participating unit but have left their contributions with the system will receive a statement. This statement is sent directly to members and is prepared on a fiscal-year basis. This statement is also posted on the member's "My SDRS" located on the SDRS website.

The statement shows members the total lifetime value of their SDRS retirement benefit earned to date, based on their pay and credited service, and the amount of their initial monthly benefit. The statement also shows estimated lifetime value and initial benefit payment if membership is continued until retirement at ages 55, 62 or 65.

In addition, the Personal Benefits Statement shows members their accumulated contributions at the current date and at projected ages, their refund amount at the current date, and the percentage of their current income that would be replaced by the estimated SDRS monthly lifetime retirement benefit.

## Examining the Report

Because employees may come to you with questions about their Personal Benefits Statement, you need to understand the information it contains.

Section 1 of the Report, "Comparing the Amount of Your Contributions to the Value of Your Benefit," lists the following:

- Total contributions to SDRS as of a specified date
- The value of the total lifetime benefit payments beginning at age 65 earned to date
- The value of the initial benefit payment at age 65

Figures for these same categories are also given based on projections of their value if the member continued membership in SDRS until retirement at ages 55, 62 or 65. The lifetime benefit is a projection of the total value of all the monthly benefit payments a member will receive, including annual cost-of-living adjustments. It is calculated based upon an average number of years in retirement — approximately 20 years for a member retiring at age 65.

Section 2 of the report shows not only increases in the amount of contributions and lifetime value of the retirement benefit since the previous year but also the amount the member could receive as a refund if he or she terminated employment, and the increase in that amount since the previous year.

Section 3 shows the percentage of the member's income that will be replaced by SDRS at retirement at ages 55, 62 and 65. (For members age 55 and over, the percentage will be calculated for the next year's age, along with ages 62 and 65.)

# Personal Benefits Statement

## Annotations to the Personal Benefits Statement

- a. Amount member has contributed from salary, plus any purchases or redeposits, as of date shown.
- b. Assuming contributions to SDRS stopped as of date shown, the total amount of benefit payments member would receive over an average life span if he/she begins receiving payments at normal retirement age. The calculations include:
  - An increase in the initial benefit each year until normal retirement
  - A cost-of-living increase in the retirement benefit each year after member begins receiving payments
- c. Based on the above assumption, the initial monthly benefit payment member would receive at normal retirement age.
- d. The estimated amounts member would contribute to SDRS if he/she continues membership until the three ages shown. These amounts assume that the member receives a 3.1 percent salary increase each year. For inactive members, no additional contributions are assumed.
- e. The amount of lifetime benefits member would receive at three different retirement ages if he/she continues membership in SDRS until retirement at the ages shown. The amounts received at ages 55 and 62 reflect a reduction for early retirement.
- f. The initial monthly benefit payment member would receive at three different retirement ages if he/she continues contributing to SDRS until the ages shown.
- g. As of date shown, the amount of refund member would receive if he/she were to end SDRS membership and withdraw contributions plus interest.
- h. The amounts that contributions, estimated lifetime benefit and refund amount have increased since date of statement.
- i. The percentage of final salary that would be replaced by SDRS benefit payments at retirement.



# Personal Benefits Statement



South Dakota Retirement System

## Personal Benefits Statement

As of June 30, 2004

Jane Doe  
123 Any Street  
Anytown, SD 57000

**SAMPLE**

This statement was prepared from information on file at SDRS. Please check all data carefully. If you find errors, make a copy with corrections and return it to SDRS, PO Box 1098, Pierre, South Dakota 57501. Please include your phone number. NOTE: This statement is only an estimate and is not a guarantee. Actual benefits are subject to final service and salary verification.

1		Amount of your Contributions	The Lifetime value Of your SDRS Retirement Benefit	The Monthly value Of your SDRS Retirement Benefit
Comparing the Amount of Your Contributions to the Value of Your Benefits				
As of June 30, 2003		16,097.44 <b>a</b>	333,959 <b>b</b>	1,040 <b>c</b>
If you continue membership In SDRS and retire at				
Age	55	47,063 <b>d</b>	755,622 <b>e</b>	1,397 <b>f</b>
Age	62	68,686	930,256	2,459
Age	65	79,464	942,151	2,934
2		Amount of your Contributions	The Lifetime value Of your SDRS Retirement Benefit	The Refund value Of your SDRS Retirement Benefit
Increase In Your Contributions And Benefit Values Since Last Statement				
As of June 30, 2003		16,097.44 <b>g</b>	333,959	42,870.94
Increase from Last Statement		1,847.88 <b>h</b>	28,258 <b>h</b>	5,652.74 <b>h</b>
3		Percentage of Your Income Replaced By SDRS		
This amount does not include Income from Social Security or other retirement plans.		37% <b>i</b>	52%	57%
		55	62	65

# Personal Benefits Statement

## Member Information

Personal Benefit Statement 06/30/04 Page 2

Social Security Number	Date of Birth	Normal Retirement Date	Special Early Retirement Date Rule of 85 Eligibility	Current Final Average Monthly Salary
XXX-XX-XXXX	06/01/1962	06/01/2027	06/01/2019	2,496.86

<b>Your Month of Credited Service</b>				
Service	Non-contributory	Contributory	Purchased	Total Months
Class A		150		150
Class B				

## Explanation of Information on the Front of this Form

Your contributions are an investment that will produce cash payments during your retirement years. To assist you in understanding the full value of these payments, SDRS sends you this benefits statement each year. The form is divided into the following three parts:

### 1 Comparing the Amount of Your Contributions to the Value of Your Benefits

This section compares your contributions to SDRS (including purchases and redeposits) to the value of your benefits.

#### Amount of Your Contributions

This column shows the amount you have contributed to SDRS as of the date of this statement, and a projection of your contributions if you continue membership until three selected ages.

#### The Lifetime Value of Your SDRS Retirement Benefits

This column shows the value of the total SDRS benefits you will receive over the course of your lifetime, assuming you retire at the indicated ages and you live an average number of years after retiring. This amount is shown in two ways:

- Your total lifetime SDRS benefits if you stopped contributing to SDRS as of the date of this statement, and began receiving payments at the earliest birthday on which you qualify for special early retirement or at normal retirement age, whichever comes first;
- Your total lifetime SDRS benefits if you continue membership in SDRS and retire at three selected ages.

Lifetime benefits are equal to the total benefits you will receive over an average lifetime, including a 3.1% annual increase.

#### The Monthly Value of Your SDRS Retirement Benefit

This column shows the initial SDRS benefit you will receive each month. The amounts are shown in two ways:

- Your monthly benefit if you stopped contributing to SDRS as of the date of this statement, and began receiving payments at the earliest birthday on which you qualify for special early retirement or at normal retirement age, whichever comes first;
- Your monthly benefit if you continue membership in SDRS and retire at three selected ages.

Your SDRS benefits will not be adversely affected by unfavorable investment returns. SDRS – not you – assumes the investment risk.

*Note: The amounts shown in "Amount of your Contributions" and "The Lifetime Value of your SDRS Retirement Benefit" assume a 3.1% annual salary increase. In addition, benefit values include the 3.1% cost-of-living allowance paid each year after you retire. If you are currently contributing to SDRS, your credited service is projected until retirement at the dates indicated. If you are no longer contributing, your contributions and credited service are not projected past the statement date.*

Refer to your SDRS membership brochure for details on how your SDRS benefits are determined. (Disability and survivor benefits are also provided by SDRS.)

### 2 Increases In Your Contributions and Benefit Values Since Last Year

This section compares the increases in your contributions to the increases in your benefit values as of the date of this statement.

**Amount of Your Contributions:** Your total contributions to SDRS and how much you added last year.

**Your Lifetime Retirement Benefits:** Your projected lifetime benefit from SDRS, assuming you retire at normal retirement age or the earliest birthday on which you qualify for special early retirement, and how much the value of your benefit increased last year.

**Your Refund Amount:** Your current refund amount and how much your refund amount increase last year.

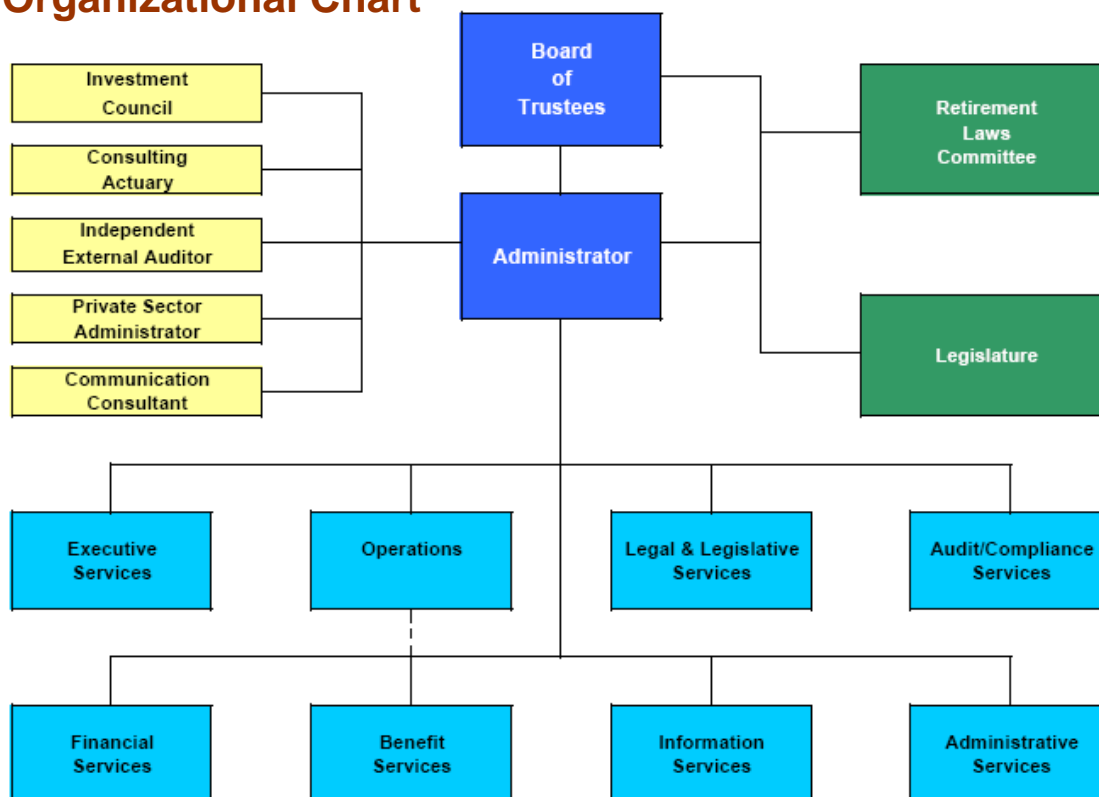
### 3 Percentage of Your Income Replaced By SDRS

Section three shows the percentage of your income at retirement that SDRS would replace if you retire at the ages shown. If you are no longer contributing to SDRS, your projected retirement income does not consider credited service past the statement date. This amount does not include any benefits that you would receive from Social Security or another retirement plan.

Experts estimate that you will need at least 70 to 85 percent of your final pay (arrived at by combining Social Security, SDRS, personal savings and other income) to keep the same standard of living after you retire that you had when you were working. Although SDRS cannot calculate Social Security benefits, you can contact them at 1-800-772-1213 or find them on the web at [www.ssa.gov](http://www.ssa.gov)

The South Dakota Retirement System is a public retirement plan operated for the sole benefit of its members and beneficiaries. Elements key to the system are the Board of Trustees, the Retirement Laws Committee of the Legislature, the SDRS staff and the State Investment Council.

## Organizational Chart



### Administration

ADMINISTRATOR	Robert A. Wylie
EXECUTIVE ASSISTANT/ HUMAN RESOURCES MAN	Arlis Ley
<i>Management</i>	
DIRECTOR OF OPERATIONS	Damian Prunty
GENERAL COUNSEL	Wade A. Hubbard
CHIEF FINANCIAL OFFICER	Jane Roberts
RETIREMENT BENEFITS MANAGER	Corinne M. Koch
INTERNAL AUDIT/ COMPLIANCE MANAGER	Susan Jahraus
ADMINISTRATIVE SERVICES MANAGER	Lisa A. Vander Maten

### Advisors, Auditors and Administrators

CONSULTING ACTUARY	Buck Consultants Denver, CO
EXTERNAL AUDITORS	KPMG LLP Omaha, NE
COMMUNICATIONS CONSULTANT	Koupal Communications Pierre, SD
PRIVATE SECTOR ADMINISTRATOR	Nationwide Retirement Solutions Columbus, OH
COMPUTER SUPPORT	S. Lee Huset Pierre, SD
	Ivan Plett Pierre, SD

## Board of Trustees

SDRS is governed by a board of 17 trustees consisting of two elected teacher members; two elected state employee members; an elected participating municipal employee member; an elected participating county employee member; an elected justice, judge or magistrate judge; an elected current contributing Class B Public Safety member; an elected participating classified employee member; one head of a principal department or one head of a bureau under the office of executive management appointed by the Governor; an individual appointed by the Governor; an elected county commissioner of a participating county; an elected school-district board member; an elected municipal official of a participating municipality; an elected faculty or administrative member employed by the board of regents and not subject to the provisions of Chapter 3-6A; an elected retiree; and an ex officio, non-voting representative of the State Investment Council.

The board is responsible for establishing policy in the following areas:

### Administrative

State statute gives the SDRS Board of Trustees the authority to hire an administrator and set his or her salary. Any salary increase above the across-the-board increase for state employees, however, is subject to confirmation by the Retirement Laws Committee of the Legislature.

### Budgetary

With the assistance of the administrator and staff, the board develops an annual budget for the operation of the system. The board subsequently submits its budget to the executive and legislative branches for approval.

### Legislative

Each year, the board submits proposed bills to the Legislature. These bills vary from changes in benefits to modifications in the structure of the system.

### Fiduciary

Trustees are legally responsible for the financial integrity of the South Dakota Retirement System. Consequently, long term goals are established to control the scope and direction of any benefit improvements; annual audits are performed by an independent auditor; and annual actuarial valuations are completed by an independent actuary.

## **Retirement Laws Committee**

The Retirement Laws Committee of the Legislature reviews the overall performance of SDRS. The committee monitors the system's financial strength and evaluates its administrative performance. During session, the Retirement Laws Committee considers any legislation impacting SDRS and its provisions.

## **SDRS Staff**

The system's chief executive officer is the administrator. Appointed by the Board of Trustees, the administrator hires and supervises the system's staff members.

Major responsibilities of the staff include the payment of annual benefits to the system's benefit recipients, the collection and accounting of annual contributions from members and their employers, monitoring and analyzing the system's financial status, communicating with the membership, and assisting the board in its work with the Legislature.

## **Investment Council**

The State Investment Council manages the investment of SDRS' trust fund. Composed of the state treasurer, the school and public lands commissioner, an appointee by the SDRS Board of Trustees and five members at large who have backgrounds in finance, the council establishes investment strategy and directs the work of the state investment officer and staff.



## Definitions

**Accumulated Contributions:** The sum of the following:

- all contributions by a member
- 75 percent of employer contributions if the member has less than three years of credited service, or 100 percent of employer contributions if the member has three or more years of credited service
- amounts that a member has redeposited within the first two years of re-employment to recapture lost service
- the purchase cost if the member has purchased credited service along with the effective rate of interest credited thereon

**Back Pay:** Payment an employee receives for services performed at an earlier time. Back pay is considered compensation and should be reported at the time it is paid.

Back pay also includes the payment an employee receives after successfully suing an employer under the federal or state laws creating or protecting employment relationships and rights to wages.

For example, if an employee who was unlawfully discharged because of age discrimination wins his or her court case, the payment of wages dating back to the time of discharge is back pay and is considered compensation to the employee.

In addition, back pay includes retroactive wage increases and union contract arbitration awards. If an employee receives a raise in June that is retroactive to March 1, the authorized agent must report the increase for the March-to-June period at the time it is paid.

**COLA:** The acronym for cost-of-living adjustment, or the amount by which benefits are increased to compensate for the effects of inflation. Each year, the benefits paid to SDRS members are increased by a cost-of-living adjustment. The COLA takes effect on July 1, with a member receiving a pro-rated share of the increase during the first year of receiving benefits and the full increase each July 1 thereafter.

**Compensation:** Gross wages paid to a member by the employer for personal services rendered during the period considered as credited service:



- (a) Compensation includes amounts reported as wages, tips and other compensation on the member's federal form W-2 wage and tax statement, except as otherwise excluded in this subdivision; the amount of member contributions made by an employer on or after July 1, 1984, pursuant to § 3-12-71; any amount contributed to a member's individual retirement plan which meets the requirements of section 401, 403, 408, or 457 of the Internal Revenue Code of 1986, as amended; and any amount contributed to the system pursuant to §3-12-83.2 in accord with § 414(h)(2) of the Internal Revenue Code as in effect on January 1, 1996;
- (b) Compensation does not include travel, meals, lodging , moving or any other expenses incidental to an employer's business which is reimbursed by the employer; lump sum payments for sick leave; lump sum payments for annual leave; payments for insurance coverage of any kind or any other employee benefit by an employer on behalf of an employee or an employee and dependents; any amount paid in a one time lump sum payment or over a period of time and based on or attributable to retirement or an agreement to retire in the future; payments made upon dismissal or severance; worker's compensation payments; and payments contingent on a member terminating employment at a specified time in the future paid or payable in a lump sum or over a period of time.

**Contribution:** The percent of a member's annual salary paid into the South Dakota Retirement System for retirement benefits. The member and employer share the cost equally.

Class A members pay 6 percent of their salary, which is matched by 6 percent from their employers. Class B Public Safety members and their employers each contribute 8 percent, while Class B Judicial members and their employers pay 9 percent.

**Credited Service:** Complete or partial years of employment with a participating unit in which a member contributed to SDRS. Years of employment credited to a member by retirement systems prior to consolidation (before July 1, 1974) are also counted.

Credited service includes time spent on authorized military leave of absence, subject to certain restrictions; time spent on authorized leaves of absence, time spent on sick leave or a temporary lay-off during which a member paid contributions to the system.



**Disability:** Any medically determinable physical or mental impairment that prevents a member from performing the usual duties of his or her job, provided the disability is not the result of a willful or self-inflicted injury. If the member's usual duties for the employer are changed due to a management decision, a request by the member, or for whatever reason, the last duties that the member performed for the employer are the usual duties considered for disability determination.

**Eligibility Standard:** The requirement that an employee must work in a position normally requiring at least 20 hours of work per week for at least six months per year to be eligible for SDRS membership. Thus, an employee who works four hours a day from January through June meets the eligibility standard of a full-time, permanent employee and must participate in SDRS. But, an employee who works two days a week (16 hours) all year long does not meet the eligibility standard. The employer decides who is a permanent full-time employee.

**Investment Council:** The group of people who establish the policies for the investment of the SDRS Trust Fund. The council is made up of the state treasurer, the school and public lands commissioner, an appointee by the SDRS Board of Trustees, and five members at large who have backgrounds in finance.

A policy-making board, the council decides such things as the allocation of assets, investment strategy and the selection or dismissal of outside investment managers.

**Optional Spouse Coverage:** Optional coverage offered by SDRS to its members that guarantees salary continuation benefits to a surviving spouse for the span of years not covered by the basic survivor benefits. Optional spouse coverage covers a member's spouse from the time their youngest child reaches age 18 until the spouse reaches age 65. It also pays a benefit to a spouse under age 65 who has no children.

**Redeposit:** Paying back contributions withdrawn from SDRS. Redepositing contributions reinstates the credited service earned during an earlier employment period.

**Retirement Benefit:** Monthly lifetime payment members receive after retirement. Unlike a fixed dollar amount in a savings account, SDRS benefits are never depleted, regardless of how long a member and the member's spouse receive benefits.

**SDRS Employer:** School boards, the board of regents, agencies of state government and other public entities, such as municipalities and counties.

For example, the city of Yankton, the Department of Revenue, Jones County, the Sioux Falls Airport Authority and the Stickney School District are all SDRS employers.

**Spouse:** The person married to a member. To be eligible for spouse benefits, however, that person must have been married to the member prior to retirement and for at least 12 months prior to the member's death.

For example, a person who married a member after the member retired would not be eligible for SDRS spouse benefits. Similarly, a person married to a member for only six months before the member's death would also be ineligible for spouse benefits.

**Supplemental Retirement Plan (SRP):** A voluntary, tax-sheltered savings plan offered by SDRS to its members. The plan allows members to invest in one or more of the plan's 16 investment alternatives that range from low-risk money market funds to higher-risk growth stock funds.

**Teacher:** A person who has a valid teacher's certificate issued by the state of South Dakota and who is employed by a public school district for at least 20 hours a week and six months per year.

For example, a man who is a certified teacher works as a teacher's aide for a district that does not extend SDRS coverage to classified employees, such as teachers' aides, secretaries, cooks, etc. However, if he meets the permanent, full-time employee standard, he is considered a teacher and must participate in SDRS.

**Refund Benefit:** The refund of accumulated contributions (member contributions and all or a portion of employer contributions depending upon length of service), plus interest, that a member may receive upon termination of employment. Members who take a refund forfeit all SDRS benefits to which they would otherwise be entitled and all future improvements to those benefits.

**Trust Fund:** The pool of money created by the contributions of members and their employers to fund the benefits for SDRS members and their beneficiaries. In all, over 460 distinct units of government and their employees contribute to the trust fund.

By law, the trust fund must be used for “the exclusive benefit of members and their beneficiaries.” Trust fund monies are invested to earn income to pay retirement, death and disability benefits to members and their survivors.

**Uncredited Service:** Credit for prior part-time or full-time public service, including active duty military service, for which a member is not eligible to receive a retirement benefit. This service may be purchased by contributing SDRS members based on the higher of the member’s current compensation, or the member’s final average compensation, at an actuarially determined percentage.

For example, a member who worked two years for a state agency in Minnesota, and a member who served three years in the U.S. Navy, would be eligible to purchase years of credited service in SDRS equal to those years of public service employment, so long as no retirement benefit is possible from either public entity.

**Vested:** To be entitled to a benefit. SDRS members are vested in the plan, that is, entitled to a retirement benefit, after three years of employment (contributory service) with an SDRS employer.

**Wages-in-Kind:** Things of value an employee receives from an employer instead of actual money. The value of these items — meals and lodging, for example — must be reported as compensation if they are included on the employee’s W-2 form for federal income taxes.

Likewise, if a school district furnishes its superintendent with a house, the monthly rental value of the house is considered compensation.

Uniform and clothing allowances are also considered wages-in-kind and must be reported as compensation if they are included on the employee’s W-2 as taxable income.

## How the Disability Approval Process Works

The disability approval process involves three participants: the member, the employer and SDRS. Each has distinct responsibilities.

### Member Responsibilities

Members must thoroughly discuss with their employers the physical or mental impairment which prevents them from performing the usual duties of their job. Sometimes accommodations can be made, or a comparable level position is available. It is essential that the employer certify the member's inability to perform the duties of his or her present position or that of a comparable level position to support the disability claim. If the member transfers to another position, the usual duties for the purpose of the disability application are the usual duties of the new position.

After the member and the employer discuss the situation, either may contact SDRS for a disability application form or forms.

The member should complete and return the disability application forms sent by SDRS as soon as possible.

SDRS will then send the member additional forms and a letter explaining how to gather the necessary medical documentation to support the disability claim. It is the member's responsibility to ensure that SDRS receives the necessary documentation.

### Employer Responsibilities

After discussing accommodations and/or a comparable level position with the member, the employer must take the following steps:

- Complete and return the Participating Unit Statement and Participating Unit Questionnaire. Other documentation (i.e., job description, performance evaluation, salary history, etc.) must be submitted to SDRS before the case can be evaluated.
- Submit Form B-1, "Notice of Termination of Participating Membership," to SDRS.

Note: Disability applicants on sick leave or vacation leave may wait until a decision is reached on their case before terminating contributions to SDRS. However, no disability benefit will be paid until SDRS has received the termination form (B-1) and the final contributions.

## SDRS Responsibilities

After receiving a member's disability application, SDRS will perform the following steps:

- Review disability application to determine eligibility for benefits.
- Compile information submitted by member, employer and physicians and present to the Disability Advisory Committee. The Disability Advisory Committee will recommend approval or denial of the application to the SDRS administrator. The committee may also defer the case to examine additional records or to request an Independent Medical Examination, Functional Capacities Assessment or other valuation before submitting a recommendation.
- The SDRS administrator will approve, deny or defer the application based on the evidence. If the application is denied, the right of appeal is explained in writing to the member.

If the application is approved, SDRS will verify the end of contributory service and calculate the benefit (including the final contribution amounts). SDRS will review the case as needed and recalculate the benefit in the 37th month.

Applying for SDRS disability benefits does not guarantee that the member will receive a benefit. In each SDRS disability case, the burden of proof rests upon the member to provide sufficient evidence to support the disability claim. This means the member must submit medical records including updates of records and subsequent visits and evaluations. Timely submission of information is essential to expedient processing of the claim. The typical processing time for a disability claim is at least three months from the time SDRS receives the application until the time the claim is either approved or denied. If the case is deferred for any reason, the processing time may be significantly increased.

## Disability Appeal Process

Members who have been denied disability benefits have 60 days to appeal the decision. The letter of appeal must be sent to SDRS by either the member or the member's attorney. While it is not necessary to use an attorney during an appeal, it is often advisable.

After an appeal letter is received, the member or the member's attorney will be contacted by SDRS. A hearing may be scheduled before an independent hearing examiner, who will make a recommendation to the SDRS Board of Trustees. The board will review the appeal by considering the hearing examiner's recommendation and listening to argument from both sides. The board will make the final decision.

If the appeal is approved, SDRS will calculate the disability benefit and begin making monthly payments, retroactive to the month following the termination of contributions. If the board does not approve the appeal, the board's decision can be appealed to the circuit court and ultimately to the Supreme Court.

# Criteria for Class B Public Safety Membership

The following are the criteria which must be met by any group seeking Class B Public Safety membership in the South Dakota Retirement System. To be recommended for Class B Public Safety membership, a group must present evidence, satisfactory to the Board of Trustees, that the group as a whole meets all six of these criteria:

1. **Primary Duty Must Be to Preserve the Safety of the General Public and the Protection of Human Life and Both Private and Public Property.**  
Comment: The primary duties of Class B Public Safety members are to protect life, limb and property. The designation of “law enforcement” is not sufficient, since prosecutors, department of revenue employees and many others are primarily engaged in law enforcement. Members with Class B Public Safety credited service must be engaged primarily in preserving the physical safety of individual citizens and their property and these duties must constitute 50 percent or more of the duties of the position.
2. **Age**  
Comment: The duties of the group must be such that age reduces the capacity to perform at an acceptable level. The result of the reduced capacity must be that safety of individual citizens and their property is substantially reduced.
3. **Appointing Authority — Justification to Taxpayers**  
Comment: The appointing authority for the State of South Dakota is as follows:
  - Legislative Branch — Executive Board of the Legislative Research Council
  - Judicial Branch — Chief Justice of the Supreme Court
  - Executive Branch — The appointing authority as defined in § 3-6A-2; and the Commissioner of the Bureau of Personnel and the Commissioner of the Bureau of Finance and Management.
  - The appointing authority for political subdivisions is the governing board or commission of the entity.

The appointing authority must have approved the request and made a judgment that the reduced capacity brought about by age will result in increased danger to individual citizens and their property. The increased cost to the taxpayers can be justified only if the effect of age on the capacity to perform requires that a youthful work force be maintained. Finally, the appointing authority must not be able to expand this group merely by changing job titles without also substantially changing duties. If the appointing authority believes that job duties and responsibilities have changed, which would cause a position or group of positions to no longer qualify for Class B Public Safety, the appointing authority may request that SDRS review the positions to determine the appropriate action under this criterion.

## Criteria for Class B Public Safety Membership

4. **The Duties Must Be Hazardous, Stressful and Physically Demanding**  
Comment: These are the attributes of the duties which cause the capacity to perform to diminish with age. These duties must constitute 50 percent or more of the duties of the position. While all Class B Public Safety positions must have these qualifications, many positions that should not be Class B Public Safety have the same qualities. Class B Public Safety status is justified only where, because of the decrease of ability to perform, increasing age results in danger to individual citizens and their property.
5. **Full-Time Responsibility**  
Comment: Class B Public Safety status is justified only where an individual's responsibility for the safety of individuals and their property is fulltime.
6. **Statutory Duties**  
Comment: Reference to the statutory duties of a group is useful to the extent that the statute may define the responsibility for the safety of individuals and their property.

# Procedure to Consider Requests for Class B Membership

1. Requests for Class B Public Safety membership will be handled as follows:

- The SDRS Board of Trustees shall consider all requests for Class B Public Safety membership submitted in accordance with this procedure.
- All requests shall be initially submitted to the appointing authority.

2. The appointing authority must have approved the request prior to the submission to SDRS.

The appointing authority for the State of South Dakota is as follows:

- Legislative Branch: Executive Board of Legislative Research Council
- Judicial Branch: Chief Justice of the Supreme Court
- Executive Branch: The appointing authority as defined in §3-6A-2; and the Commissioner of the Bureau of Personnel and the Commissioner of the Bureau of Finance and Management
- The appointing authority for political subdivisions is the governing board or commission of the entity.

Upon receiving approval from the appointing authority, the proponents shall submit their request to the SDRS Administrator in letter form including written documentation of the appointing authority approval.

A written summary of the request, including the following information, should accompany the initial letter or should be submitted separately:

- name and Social Security number of the positions to be considered in the request
- title of the position(s) to be considered
- position numbers or other identifying numbers
- an organizational chart of the employer unit identifying the positions included in the request, and
- listing of other positions within the employer unit to be excluded from the request including name and Social Security number

3. For each position included in the request, the following information must be submitted:

- a copy of the current Position Description or its equivalent
- a copy of the completed Position Description Questionnaire or its equivalent
- a copy of the salary range



## Procedure to Consider Requests for Class B Membership

- a written statement outlining why each position meets each of the Criteria for Class B Public Safety Membership
4. Once information, as outlined in this procedure, is received by the SDRS Administrator, the request will be evaluated by SDRS staff. Additional information will be requested as needed.
  5. Upon completion of the staff evaluation, the request will be submitted to the consulting actuary for financial analysis.
  6. The proponents will be asked to make a formal presentation to the SDRS Board of Trustees. The formal presentation will include a general overview of the request, the reasons why Class B Public Safety membership is appropriate and an analysis of how each of the criteria for Class B Public Safety membership is satisfied.
  7. As part of the presentation, the proponents should demonstrate that each person affected by the change understands that if implemented:
    - There will be additional contribution costs for the employer and employees.
    - The change will be prospective only.
    - Members changing to Class B Public Safety Membership may forfeit family benefits after reaching age 55.
  8. Upon completion of the presentation, the request may be referred to an ad hoc committee of the Board of Trustees for further review and recommendation. The ad hoc committee may request that the proponents demonstrate why each position under consideration meets each of the criteria for Class B Public Safety membership. The ad hoc committee may call on the proponents to respond to questions and may request additional information when deemed appropriate. Upon completion of its review of the request, the ad hoc committee will make a recommendation to the full board as to whether the request should be approved or denied.
  9. If the request is approved by the board and if a law change is necessary, the board will recommend the necessary changes to the appropriate committee of the legislature. It is expected that the proponents will appear at legislative hearings to assist in the testimony.

## **SDRS Board Of Trustees – Member Issues Procedure**

The goal of this process is to provide the means for members to introduce issues to the Board of Trustees for debate and consideration of a broad array of possible changes necessary to ultimately meet the Long Term Goals.

SDRS Long Term Goals represent broad statements of desirable benefits and practices adopted by the SDRS Board of Trustees after considering member needs and competitive practices without regard to the costs of meeting the Long Term Goals.

The stated objectives for the Long Term Goals are specific and measurable changes to SDRS benefit provisions and practices necessary to accomplish the goals.

The Member Issues Procedure is followed by the Board of Trustees to formulate and consider proposals for changes to SDRS benefits or practices to meet the Long Term Goals.

A Member Issue is a pending proposal under consideration to partially or completely accomplish a goal or objective approved by a majority of the Board of Trustees.

The Member Issues Procedure operates similarly to the way legislation is introduced, considered and dealt with. It works as follows:

A member has an issue that he/she would like considered. (The term “member” is all encompassing and includes members, employers, Board of Trustee members, retirees, interest groups, etc.)

**Step 1:** The Member asks to make a presentation to the Board of Trustees to explain the issue.

**Step 2:** One or more Trustees agrees to sponsor the issue.

**Step 3:** The issue becomes a Member Issue under consideration if a majority of the Trustees agree that it will meet the SDRS Long-Term Goals or meet other issues not previously identified.

**Step 4:** Member Issues under consideration are maintained in a working file called the Member Issues File and represent current proposals for change. They are updated after each board meeting.

# Member Issues Procedure

**Step 5:** Additional action is taken on a Member Issue when a majority of Trustees agree that:

- The Member Issue and the Long Term Goal to which it applies is a priority, funding is available and the Member Issue should be advanced to the legislature for its consideration as a board approved proposal; or
- The Member Issue and/or the Long Term Goal to which it applies is not a priority or funding is not available, but the Member Issue continues to have merit and should remain in the Member Issues File for future consideration; or
- The Member Issue is no longer germane and should be removed from the Member Issues File.

This process has the added effect of enhancing the discussion on how best to prioritize the limited resources of SDRS for the benefit of the entire membership.

